

華富建業企業融資有限公司

QUAM CAPITAL LIMITED

於香港註冊成立之有限公司 Incorporated in Hong Kong with limited liability



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19 November 2024

*To the Independent Board Committee*

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
CM HI-TECH CLEANROOM LIMITED  
BY MAYAIR HK HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
CM HI-TECH CLEANROOM LIMITED  
AND  
(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect to the Proposal, the Scheme and the Rollover Arrangement, details of which are set out in the Scheme Document dated 19 November 2024, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 14 October 2024, the Offeror and the Company have entered into the Implementation Agreement pursuant to which the parties have agreed to use all reasonable endeavours to implement the Proposal to be put forward to the holders of Scheme Shares for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act, subject to the satisfaction of the Pre-Conditions and satisfaction or waiver of the Conditions, as applicable, involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the Scheme Shares will, on the Effective Date, be cancelled and extinguished. Contemporaneously with such cancellation and extinguishment, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled pursuant to the Scheme. The reserve created

in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

The Rollover Shares will not form part of the Scheme Shares and will not be cancelled. After the Scheme becoming effective, pursuant to the Rollover Agreement, the Rollover Shares will be transferred to the Offeror in exchange for such number of shares to be issued by the Offeror (representing approximately 31.61% of the issued and paid-up share capital of the Offeror) to the Rollover Shareholders credited as fully paid so that the Rollover Shareholders will retain their interest in the Group through the Offeror.

Upon the completion of the Scheme and the transfers of the Rollover Shares pursuant to the Rollover Agreement, the Company will become wholly-owned by the Offeror. Further information of the Offeror is set out in the section headed "2.1 The Offeror" below.

#### **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, which comprises all the independent non-executive Directors, namely, Mr. Ng Seng Leong, Mr. Martin Giles Manen and Mr. Wu Chun Sing, has been established by the Board to make a recommendation, after taking into account the advice and recommendation from the Independent Financial Adviser as to whether the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM.

We have been appointed, with the approval of the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee in relation to the Proposal, the Scheme and the Rollover Arrangement.

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

## **BASIS OF OUR ADVICE**

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

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

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

## **THE PROPOSAL**

The Proposal will be implemented by way of the Scheme.

### **The Scheme**

Under the Scheme, the Scheme Shares will be cancelled in exchange for HK\$0.25 in cash for each Scheme Share and the total consideration payable for cancellation of the Scheme Shares will be paid by the Offeror.

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

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.**

### **Conditions of the Proposal**

All of the Pre-Conditions had been satisfied on or before 1 November 2024. The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders, representing not less than 75% in value of the Scheme Shares held by the holders of the Scheme Shares present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Disinterested Shareholders;
- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to (i) approve and give effect to any reduction of the share capital of the Company on the Effective Date as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror;

- (d) the Grand Court's sanction of the Scheme (with or without modifications) and, to the extent necessary, its confirmation of any reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of, and minutes approved by, the Grand Court for registration;
- (e) compliance, to the extent necessary, with the applicable procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to any reduction of the issued share capital of the Company;
- (f) (i) the receipt of an opinion from the Independent Financial Adviser confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the extraordinary general meeting of the Company to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;
- (g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (h) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted, made or proposed, issued, enforced or imposed (including without limitation through interpreting, amending, restating or supplementing) any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries that would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme; and

- (k) since the Announcement Date, there having been no adverse change in the business, assets, prospects, profits, losses, results of operations, financial position or condition of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme).

The Offeror reserves the right to waive Conditions (g), (h), (i), (j) and (k), to the extent permissible by relevant laws and regulations, the Listing Rules and the Takeovers Code, either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (f) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Conditions.

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

In respect of Conditions (g) and (h), as at the Latest Practicable Date, the Offeror and the Company were not aware of any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required in connection with the implementation of Proposal and the Scheme. As at the Latest Practicable Date and based on the information available to the Offeror and the Company, other than pursuant to Conditions (a) to (f) (inclusive), the Offeror and the Company were not aware of any circumstances which would result in Conditions (g), (h), (i), (j) and (k) above not being satisfied.

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

## **ARRANGEMENTS MATERIAL TO THE PROPOSAL**

### **Implementation Agreement**

On 14 October 2024, the Offeror and the Company entered into the Implementation Agreement, pursuant to which the parties have agreed to use all reasonable endeavours to do all such things within their power to implement the Proposal, subject to the satisfaction of the Pre-Conditions and satisfaction or waiver of the Conditions, as applicable, and cooperate to obtain all approvals required in connection with the Proposal.

Under the Implementation Agreement, the Company has undertaken to the Offeror to (a) use all reasonable endeavours to implement the Scheme; and (b) procure that, prior to the earlier of the Effective Date and termination of the Implementation Agreement, unless otherwise approved by the Shareholders in a general meeting in accordance with Rule 4 of the Takeovers Code, the Group shall not take certain actions, details of which are set out in the Explanatory Statement in the Scheme Document.

The Company has further undertaken, amongst other things, that it will not, and will procure that no member of the Group shall, directly or indirectly:

- (a) solicit, encourage, or otherwise seek to procure the submission of proposals, indications of interests or offers of any kind which are reasonably likely to lead to an alternative offer from any person other than the Offeror; and
- (b) enter into, or participate in, any discussions or negotiations (other than responding to unsolicited enquiries) with any such person in relation to an alternative offer or provide any due diligence information on the Company and the Group to any third party in connection therewith, save to the extent that, based on the written advice of external legal counsel:
  - (i) the Board reasonably considers that they are likely to be in breach of their directors' duties or statutory duties not to do so; or
  - (ii) they are required to do so under Rule 6 of the Takeovers Code or other applicable laws.

Nothing in the Implementation Agreement is intended to prevent or deprive:

- (a) the Shareholders from having the opportunity to consider; or
- (b) the Company from considering, in each case, any unsolicited alternative offers, proposals or transactions in respect of, or for, the issued ordinary share capital or assets or undertakings (whether the whole or a substantial part) of the Company or the Group from any person other than the Offeror.

The Implementation Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

#### **Special deal relating to the Rollover Arrangement**

The Offeror proposes that the Rollover Shareholders retain their respective interest in the Company through shareholding in the Offeror after the Scheme becomes effective. As part of the Proposal, the Offeror and the Rollover Shareholders have entered into the Rollover Arrangement comprising: (a) the Rollover Agreement; (b) the Share Swap Agreement; (c) the Deed of Indemnity; and (d) the Shareholders' Agreement. Further details of the Rollover Arrangement are set out under section headed "4. Special deal relating to Rollover Arrangement" below.

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive in relation to the Rollover Arrangement conditional on the Independent Financial Adviser confirming to the Independent Board Committee that the Rollover Arrangement is fair and

reasonable as far as the Disinterested Shareholders are concerned and the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Rollover Arrangement.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Background information of the Group

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on Main Board of the Stock Exchange. The Group is principally engaged in the provision of cleanroom wall and ceiling systems and cleanroom equipment in the PRC, Malaysia and the Philippines. Products of the Group are mainly used in cleanrooms of different classes in various cleanroom standards. The Group provides cleanroom products and installation services for manufacturing facilities of manufacturers of semiconductor and electronic products. Its products are also utilised in pharmaceutical and life science industries.

#### 1.1 Financial information of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Company for the years ended 31 December 2022 (“FY2022”) and 2023 (“FY2023”) as extracted from the 2023 Annual Report; and (ii) the unaudited consolidated financial information of the Company for the six months ended 30 June 2023 (“HY2023”) and 2024 (“HY2024”) as extracted from the 2024 Interim Report.

	FY2022 RMB'000 (audited)	FY2023 RMB'000 (audited)	HY2023 RMB'000 (unaudited)	HY2024 RMB'000 (unaudited)
Revenue	462,907	356,570	144,157	176,464
— Cleanroom wall and ceiling systems	419,939	328,094	130,290	166,264
— Cleanroom equipment	12,518	21,951	9,969	8,051
— Others	30,450	6,525	3,898	2,149
Gross profit	149,597	112,941	51,576	45,830
Profit attributable to the Shareholders for the year/period	74,955	54,609	30,820	21,868
Gross profit margin	32.3%	31.7%	35.8%	26.0%
Net profit margin	16.3%	15.4%	21.5%	12.5%



*Revenue by geographical location:*

	<b>FY2022</b>	<b>FY2023</b>	<b>HY2023</b>	<b>HY2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
The PRC (excluding Hong Kong)	281,615	202,853	79,893	133,232
Malaysia	84,404	102,586	51,610	27,094
The Philippines	48,763	18,113	5,882	8,420
Singapore	26,414	18,261	2,908	2,572
The United Kingdom	464	9,040	—	3,971
United States	8,308	—	—	—
Germany	7,708	—	—	—
Others	5,231	5,717	3,864	1,175
Total	<u>462,907</u>	<u>356,570</u>	<u>144,157</u>	<u>176,464</u>

	<b>As at</b>		
	<b>31 December</b>	<b>31 December</b>	<b>30 June</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	467,056	498,372	528,940
Total liabilities	175,051	176,136	193,270
Net assets	292,005	322,236	335,670

*1.1.1 Financial performance*

The Group's revenue was mainly derived from providing cleanroom wall and ceiling systems, and cleanroom equipment. Revenue from the cleanroom wall and ceiling systems segment accounted for over 90% of the total revenue for the periods indicated above. For HY2024, the Group generated approximately 75.5% and 15.4% of total revenue from the PRC and Malaysia, respectively.

**FY2023 as compared with FY2022**

The Group recorded a decrease in revenue of approximately 23.0% from RMB462.9 million for FY2022 to RMB356.6 million for FY2023. The decline was mainly because of (i) the impact of US-China trade tensions affecting investments and construction progress for the semiconductor facilities located in the PRC; (ii) an uncertain investment climate, particularly in the semiconductor industry, created by economic uncertainties; and (iii) weak demand for end-making electronics, elevated

inventory levels and weaker prices of microchips for FY2023. These factors directly impacted the demand for the Group's cleanroom products, especially in the PRC market.

The decrease in gross profit of the Group by approximately 24.5% from approximately RMB149.6 million for FY2022 to approximately RMB112.9 million for FY2023 was mainly due to the decrease in the Group's revenue as discussed above. The Group recorded a profit attributable to the Shareholders of approximately RMB54.6 million for FY2023, representing a decrease of approximately 27.1% from approximately RMB75.0 million for FY2022, which was mainly due to the decrease in the Group's gross profit.

HY2024 as compared with HY2023

The Group recorded an increase in revenue of approximately 22.4% from approximately RMB144.2 million for HY2023 to approximately RMB176.5 million for HY2024. The revenue increase was mainly driven by the revenue increase from the sales of cleanroom wall and ceiling systems in the PRC due to more sizable contracts undertaken in HY2024, which was partially offset by a decline in sales mainly from Malaysia.

The decrease in gross profit of the Group by approximately 11.1% from approximately RMB51.6 million for HY2023 to approximately RMB45.8 million for HY2024 was mainly due to the decrease in gross profit margin of the Group from approximately 35.8% in HY2023 to approximately 26.0% in HY2024. Such decrease in gross profit margin was mainly due to increased project expenses for the cleanroom wall and ceiling systems segment, including direct material costs and subcontracting expenses, which in turn was a result of a higher proportion of revenue generated from projects requiring subcontracted works and increased fees charged by subcontractors. The Group recorded a profit attributable to the Shareholders of approximately RMB21.9 million for HY2024, representing a decrease of approximately 29.0% from approximately RMB30.8 million for HY2023, which was mainly due to the decrease in the Group's gross profit and net provisions for credit losses on contract assets as compared to net reversal of credit losses of contract assets for HY2023.

### *1.1.2 Financial position*

As at 30 June 2024, total assets amounted to approximately RMB528.9 million, which mainly consisted of (a) contract assets of approximately RMB158.6 million; (b) cash and cash equivalents of approximately RMB123.2 million; and (c) trade and other receivables of approximately RMB91.7 million.

As at 30 June 2024, total liabilities amounted to approximately RMB193.3 million, which was mainly consisted of (a) trade and other payables of approximately RMB101.5 million; (b) borrowings of approximately RMB69.0 million; and (c) contract liabilities of approximately RMB11.2 million.

### 1.1.3 Historical dividend payout

According to the 2023 Annual Report, the Company has adopted a dividend policy on payment of dividends. The Company plans to pay a total dividend in respect of each year of approximately 30% to 40% of the Group's consolidated profit attributable to the Shareholders. When proposing a dividend, the Company will take into account, among other things, the future operations and earnings, the business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as the Directors consider appropriate. Nonetheless, there is no requirement or assurance that the Company will declare and pay any dividends. The table below sets out the Company's historical dividend and the payout ratio from the date of the Company's listing on the Stock Exchange in October 2020 to the latest financial year end.

	For the financial year ended 31 December			
	2020	2021	2022	2023
Dividend per Share (HK\$)	0.0036	0.0095	0.0141	0.0128
Earnings per share — basic (RMB cents)	0.93	2.47	5.35	3.90
Dividend payout ratio ( <i>Note 1</i> )	32.6%	31.4%	23.5%	29.7%
Year-end closing price of the Shares (HK\$)	1.200	0.138	0.193	0.238
Dividend yield ( <i>Note 2</i> )	0.3%	6.9%	7.3%	5.4%

*Notes:*

1. Dividend payout ratio is calculated by dividing total dividend (excluding the special dividend of HK\$0.0046 per Share paid in March 2023) per Share by earnings per Share for the relevant year.
2. Dividend yield is calculated by dividing the total dividend (excluding the special dividend of HK\$0.0046 per Share paid in March 2023) per Share by the year-end closing price of the Shares for the relevant year.
3. For illustrative purpose, the dividend payout ratio and dividend yield are calculated based on the central parity rate published by the People's Bank of China on its website as at the year-end date of each year.

As shown above, the Company's dividend payout ratio ranged from approximately 23.5% to 32.6%, while the dividend yield ranged from approximately 0.3% to 7.3%, from the date of the Company's listing on the

Stock Exchange in October 2020 to FY2023. For the financial year ending 31 December 2024, the Company have paid an interim dividend of HK\$0.0044 per Share to the Shareholders.

In terms of the dividend return, the Disinterested Shareholders may be attracted to the historical dividend payout record and the dividend policy of the Company. However, we would like to highlight that the Company's dividend payout is still subject to various factors, including earnings, and there is no requirement or assurance that the Company will declare and pay any dividends, according to its dividend policy. For example, we noted that when the earnings of the Group decreased for FY2023 and HY2024 as compared with FY2022 and HY2023 respectively, the Group's dividend per Share for the respective year or period also decreased. In addition, we noted that the dividend yield of Hang Seng High Dividend Yield Index was approximately 6.6% as at the Latest Practicable Date, which is higher than the Company's dividend yield of approximately 5.4% for FY2023, the latest full financial year of the Group. On this basis, we are of the view that after the Proposal is implemented and the Scheme has become effective, it is possible that the Disinterested Shareholders, if they wish, may reinvest the proceeds from the Proposal in other listed companies in Hong Kong to achieve a similar dividend return. As such, we recommend the Disinterested Shareholders to take into account other factors set out in this letter when considering the Proposal and the Scheme.

## ***1.2 Outlook of the Group***

As shown above, the revenue declined by approximately 23.0% from RMB462.9 million for FY2022 to RMB356.6 million for FY2023. Compared to HY2023, revenue rose by approximately 22.4% to approximately HK\$176.5 million for HY2024. However, gross profit margin fell from approximately 35.8% for HY2023 to approximately 26.0% for HY2024, representing a significant drop of 27.3%. For FY2023 and HY2024, profit attributable to the Shareholders plunged by approximately 27.2% and 29.0%, respectively, as compared with the same period a year prior.

Given that majority of the Company's revenue was generated in the PRC, the Group's financial performance has been adversely affected by a number of factors such as (i) the impact of US-China trade tensions affecting investments and construction progress for the semiconductor facilities located in the PRC; (ii) an uncertain investment climate, particularly in the semiconductor industry, which has been created by economic uncertainties; and (iii) increase in project costs. According to the report "2024 KPMG Global Semiconductor Industry Outlook" issued by KPMG, a global network of professional firms providing audit, tax and advisory services, in 2024, 45% of semiconductor executives surveyed by KPMG anticipated no change or a decrease in capital expenditures in 2024, up from 38% in 2023, reflecting a lower confidence in the investment climate in the industry. Moreover, 30% of semiconductor leaders surveyed by KPMG believed there is an excess of inventory in 2024, up from 24% in 2023. This growing concern about inventory

levels reflects the uncertainty in demand for semiconductor products, which could deter new investments in the industry. In respect of the impact of US-China trade tensions, in October 2024, the challenges faced by the semiconductor industry in the PRC escalated as the US finalised additional restrictions under an executive order, which explicitly limits US investments in China's semiconductor and AI industries. Based on the above, we consider the outlook of the semiconductor industry, particularly in the PRC, will face challenges and uncertainties in the near term.

Having considered, among others, (i) the impacts of the challenges and uncertainties by the semiconductor industry, particularly in the PRC as a result of geopolitical tensions and economic uncertainties; and (ii) the deterioration in profitability of the Group, we maintain a cautious view on the outlook of the Group in the near term.

## **2. Background information of the Offeror**

### ***2.1 The Offeror***

The Offeror is a company incorporated in Hong Kong with limited liability on 23 August 2024. The Offeror is an investment holding Company which was set up for the implementation of the Proposal. The Offeror is wholly-owned by MayAir Technology, the shares of which are listed on the Shanghai Stock Exchange STAR Market.

MayAir Technology is a leading air filtration provider specialist in its industries particularly in semiconductors, biopharmaceuticals, public health care, industrial dust removal, volatile organic compounds (VOCs) treatment markets with the full spectrum of principal activities ranging from research and development, trading and manufacturing and after sales services with an aim to promote cleantech development and to improve global air quality.

As at the Latest Practicable Date, MayAir Technology was ultimately controlled by Mr. Jiang Li in respect of a shareholding of approximately 62.07%. He has been a director of MayAir Technology since July 2019 and has been nominated as the chairman of MayAir Technology since March 2020. He is the founder, chairman and director of Nanjing TICA Air-Conditioning Co., Ltd.\* (南京天加空調設備有限公司), which was later renamed as Nanjing TICA Climate Solutions Co., Ltd.\* (南京天加環境科技有限公司) since 1999. He is also a director of Guangzhou Smardt Chiller Manufacturing Co., Ltd.\* (廣州思茂特冷凍設備製造有限公司) since January 2021. He is a member of the National Standardization Technical Committee\* (全國專業標準化技術委員會). Mr. Jiang is currently an independent non-executive director of Chervon Holdings Limited (stock code: 2285), a company listed on the Main Board of the Stock Exchange, since 8 December 2021. The remaining 37.93% shareholding interest in MayAir Technology is held by a number of other shareholders, with the largest one holding less than 3%, according to the latest published financial report of MayAir Technology.

Upon completion of the Proposal and the transfers of the Rollover Shares pursuant to the Rollover Agreement and assuming that there is no other change in shareholding of the Company before completion of the Proposal, the Offeror will have 2,914 issued shares, and will be held as to approximately 68.39% by MayAir Technology, approximately 24.29% by Mr. Ng Yew Sum, approximately 4.29% by Mr. Law Eng Hock, approximately 2.65% by Mr. Chin Sze Kee and approximately 0.38% by Mr. Luah Kok Lam.

## **2.2 *The Offeror Concert Parties***

### *The Rollover Shareholders*

The Rollover Shareholders are Mr. Ng Yew Sum, Mr. Law Eng Hock, Mr. Chin Sze Kee and Mr. Luah Kok Lam. Further information of the Rollover Shareholders are set out in the section headed “4.1 Background and rationale of the Rollover Arrangement” below.

### *Other Founding Shareholders*

Pursuant to the AIC Confirmation, the Other Founding Shareholders, namely, Mr. Francis Chia Mong Tet, Mr. Lim Kai Seng, Mr. Chang Chin Sia, Mr. Ng Boon Hock, Ms. Yap Chui Fan, Mr. Loh Wei Loon and Mr. Phang Chee Kin, are acting in concert with Mr. Ng, Mr. Chin and Mr. Law. They have confirmed that, among others, they have been acting in concert with each other for the entire duration when all of them were/are contemporaneously either the legal and/or beneficial owners of shares in each of the Group companies, and shall continue to centralise the ultimate control and right to make decisions with respect to their interest in the Group’s businesses. Accordingly, the Other Founding Shareholders are considered to be acting in concert with the Offeror for the purpose of the Takeovers Code due to Mr. Ng, Mr. Chin and Mr. Law’s involvement in the discussions relating to the Proposal and as Rollover Shareholders. The Shares held by the Other Founding Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.

## **2.3 *The Offeror’s intention in relation to the Group***

The Offeror intends to continue the existing business of the Group, which is principally engaged in provision of cleanroom wall and ceiling systems and cleanroom equipment with establishment in the PRC, Malaysia and the Philippines. No major changes are expected in the existing principal business of the Group, including any major redeployment of the fixed assets of the Group. The Offeror does not have any plan to make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal. For the reasons explained above, the Offeror does not intend to continue the listing of the Company on the Stock Exchange.

### 3. Cancellation Price

#### 3.1 Cancellation Price comparison

The Cancellation Price of HK\$0.25 per Share under the Proposal represents:

- a premium of approximately 5.5% over the closing price of HK\$0.237 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 25.0% over the closing price of HK\$0.200 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 23.8% over the average closing price of approximately HK\$0.202 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 26.9% over the average closing price of approximately HK\$0.197 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 30.2% over the average closing price of approximately HK\$0.192 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 39.7% over the average closing price of approximately HK\$0.179 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 41.2% over the average closing price of approximately HK\$0.177 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 38.1% over the average closing price of approximately HK\$0.181 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

- a discount of approximately 1.3% to the Group's net asset value attributable to the Shareholders of approximately HK\$0.2533 per Share pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2023, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB321,374,000 (based on the exchange rate of HK\$1:RMB0.90622, the central parity rate published by the People's Bank of China on its website as at 29 December 2023 for illustrative purposes) as at 31 December 2023 and the Shares in issue as at the Latest Practicable Date;
- a discount of approximately 4.8% to the Group's net asset value attributable to the Shareholders of approximately HK\$0.2627 per Share pursuant to the latest unaudited consolidated financial statements of the Company as at 30 June 2024, calculated based on the unaudited consolidated net asset value attributable to the Shareholders of RMB335,670,000 (based on the exchange rate of HK\$1:RMB0.91268, the central parity rate published by the People's Bank of China on its website as at 28 June 2024 for illustrative purposes) as at 30 June 2024 and the Shares in issue as at the Latest Practicable Date; and
- a discount of approximately 3.2% to the Group's adjusted net asset value attributable to the Shareholders of HK\$0.2583 per Share, pursuant to the latest unaudited consolidated financial statements of the Company as at 30 June 2024, calculated based on the unaudited consolidated net asset value attributable to the Shareholders of RMB335,670,000 (based on the exchange rate of HK\$1:RMB0.91268, the central parity rate published by the People's Bank of China on its website as at 28 June 2024 for illustrative purposes) as at 30 June 2024 and the Shares in issue as at the Latest Practicable Date, adjusted with reference to the interim dividend declared and paid of HK\$0.0044 per Share.



### 3.2 Analysis of historical price performance of the Shares

Set out below is the movement of the closing price of the Shares and Hang Seng Index from 9 October 2023, being approximately one-year period before the Last Trading Day (i.e. 8 October 2024), and up to the Latest Practicable Date (the “**Review Period**”). We consider the length of such period is sufficient and representative to provide a general overview of the recent market performance of the Shares and market sentiment for conducting a reasonable comparison between the closing Share prices and the Cancellation Price.



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

\* Hang Seng Index is rebased to the closing price of the Shares as at 9 October 2023

The Shares closed below the Cancellation Price at all times during the Review Period. From the beginning of the Review Period until the Last Trading Day, the closing price of the Shares fluctuated between the lowest of HK\$0.156 (27 June 2024) and the highest of HK\$0.245 (22 December 2023), and the Cancellation Price represents a premium of approximately 31.3% over the average closing price during such period of HK\$0.190 per Share. From 15 October 2024, being the first trading day after publication of the Announcement, to the Latest Practicable Date, the closing Share price increased sharply and fluctuated between HK\$0.226 and HK\$0.238, which was likely to be associated with the market response to the Proposal. There is no assurance that the closing price of the Shares will remain at the current level or continue to rise if the Scheme is not approved or the Proposal otherwise lapses.

During the period from the beginning of the Review Period to 22 December 2023, the closing price of Shares fluctuated between HK\$0.191 and HK\$0.245. Since then the closing price exhibited a downward trend and decreased to the lowest of HK\$0.156 on 27 June 2024. The closing Share price plunged from HK\$0.245 on 22 December 2023 to HK\$0.201 on 8 January 2024. The continuous drop in closing Share price after that was possibly attributable to the unsatisfactory financial results of the Company for FY2023. The closing price of Shares remained relatively stable between late June 2024 and early August 2024, and thereafter exhibited an upward trend generally in line with the Hang Seng Index until the Last Trading Day.

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

### ***3.3 Trading volume analysis***

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

<b>Period/month</b>	<b>Average daily trading volume (number of Shares) (Note 1)</b>	<b>Approximate percentage of average daily trading volume to total number of issued Shares %</b> (Note 2)	<b>Approximate percentage of average daily trading volume to total number of issued Shares held by Disinterested Shareholders %</b> (Note 3)
<b>2023</b>			
October (starting from 9 October 2023)	576,250	0.04%	0.09%
November	188,636	0.01%	0.03%
December	241,053	0.02%	0.04%
<b>2024</b>			
January	159,545	0.01%	0.03%
February	103,158	0.01%	0.02%
March	113,500	0.01%	0.02%
April	60,000	Less than 0.01%	0.01%
May	78,571	0.01%	0.01%
June	109,474	0.01%	0.02%
July	155,000	0.01%	0.02%
August	711,970	0.05%	0.11%
September	828,421	0.06%	0.13%
October	4,157,619	0.30%	0.66%
November (up to and including the Latest Practicable Date)	2,259,091	0.16%	0.36%

*Source: The website of the Stock Exchange*

*Notes:*

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

As illustrated in the above table, the average daily trading volume of the Shares was thin during the Review Period, representing less than 0.01% to 0.30% of the total number of the Shares in issue and 0.01% to 0.66% of the issued Shares held by the Disinterested Shareholders. We noted the higher average daily volume in October and November 2024, which we believe that the increase in trading volume of the Shares was possibly due to the market reaction to the publication of the Announcement. As the liquidity of Shares was thin, it is difficult for the Disinterested Shareholders to sell their shareholdings in large volume in the open market without having an adverse impact on the Share price.

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

### **3.4 Analysis of discount represented by the Cancellation Price to the net asset value attributable to the Shareholders per Share**

The Cancellation Price of HK\$0.25 per Share represents a discount of approximately 1.3% and 4.8% as compared with the Group's net asset value ("NAV") attributable to Shareholders per Share as at 31 December 2023 and 30 June 2024, respectively. In assessing the Cancellation Price compared against the NAV, set out below is a table illustrating the historical Share prices against the published NAV for the one-year period before the Last Trading Day:

<u>From</u>	<u>To</u>	<u>NAV per Share</u> <i>(Note 1)</i> <i>(HK\$)</i>	<u>Average closing Share price</u> <i>(HK\$)</i>	<u>Highest closing Share price</u> <i>(HK\$)</i>	<u>Lowest closing Share price</u> <i>(HK\$)</i>	<u>Approximate premium/ (discount) of the average closing Share price to NAV per Share</u>	<u>Approximate premium/ (discount) of the highest closing Share price to NAV per Share</u>	<u>Approximate premium/ (discount) of the lowest closing Share price to NAV per Share</u>
9 October 2023	27 March 2024	0.238	0.205	0.245	0.175	(13.7%)	3.0%	(26.4%)
<i>(i.e. the period immediately before and up to the date of publication of the annual results announcement of the Company for FY2023)</i>								
28 March 2024	29 August 2024	0.253	0.173	0.201	0.156	(31.6%)	(20.6%)	(38.4%)
<i>(i.e. the period immediately before and up to the date of publication of the interim results announcement of the Company for HY2024)</i>								
30 August 2024	8 October 2024	0.263	0.192	0.212	0.183	(26.9%)	(19.3%)	(30.3%)
<i>(i.e. the period up to the Last Trading Day)</i>								

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: The latest published audited or unaudited consolidated NAV attributable to Shareholders per Share for the respective periods.

With reference to the table above, we noted that the Shares had been traded at a deeper discount to the NAV of the Group most of time during the one-year period before the Last Trading Day, as compared with the discount represented by the Cancellation Price. Based on the above observation, it appears that the market has been pricing the Shares at discount to the Group's NAV. This may indicate that investors might not price the Shares based solely on the Group's NAV and the Shareholders may not be able to realise their investments in the Shares at a price equal to or at a premium over the NAV per Share on market. In addition, we also noted that the discount to the Group's NAV attributable to Shareholders as at 30 June 2024 represented by the Cancellation Price is below the average and median discounts of the Privatisation Precedents (as defined and discussed in section headed "3.6 Privatisation precedents" below).

Accordingly, in assessing the Cancellation Price, it would only be appropriate to consider the discount represented by the Cancellation Price to the NAV per Share, in conjunction with other factors including but not limited to the historical financial performance and business prospects of the Company and more importantly, the comparison of the Cancellation Price to the Share prices prior to the publication of the Announcement as shown in the section headed "3.2 Analysis of historical price performance of the Shares" above, which we consider to be the primary factor.

### ***3.5 Comparables analysis***

In evaluating the fairness and reasonableness of the Cancellation Price, we have attempted to conduct a price multiple analysis with comparable listed companies. We have searched companies listed on the Stock Exchange which (a) derived over 50% of their revenue from sales of cleanroom facility products in the PRC, which is similar to the Group's business; (b) had market capitalisation of less than HK\$1.0 billion as at the Last Trading Day, after taking into account the implied valuation of the Company calculated based on the Cancellation Price of approximately HK\$0.35 billion.

Based on the above selection criteria, no comparable companies could be identified, which we consider to be exhaustive. We have extended the scope of criteria (b) to include companies with market capitalisation of less than HK\$2.0 billion. However, no comparable companies could be identified. We consider that it is not appropriate to amend criteria (a) above as it is critical for identifying comparable companies that are principally engaged in sales of cleanroom facility products in the PRC, which is a rather specialised business. We are of the view that the primary factor in assessing the fairness and reasonableness of the Cancellation Price is to compare the Cancellation Price to the recent Share prices, which are the market consensus of the value of the Company. As such, we consider that our assessment on the Cancellation Price is not affected in this regard.

### **3.6 Privatisation precedents**

To assess the fairness and reasonableness of the terms of the Proposal, we have identified recent successful privatisation precedents on the Main Board of the Stock Exchange and compared their respective cancellation prices relative to their share prices and NAVs. In selecting the privatisation precedents, we have screened for companies listed on the Main Board of Stocks Exchange which: (a) the privatisation proposal was conducted by way of a scheme of arrangement; (b) the privatisation was announced between 1 October 2022 and the Last Trading Day; and (c) the privatisation had been successful on or before the Last Trading Day. Based on our research, we have identified an exhaustive list of 13 privatisation precedents (the “**Privatisation Precedents**”). We consider that such review period which covers approximately two years and the sample size identified under such basis to be appropriate and sufficient for analysis of the pricing of recent privatisations and such period is close enough to reflect the prevailing market conditions in Hong Kong. Despite the Review Period, representing approximately one-year period, was adopted in our other analyses in earlier sections, we consider that such length of period does not provide sufficient samples for a meaningful comparison analysis. Accordingly, we extended the review period to cover approximately two years for privatisation precedents analysis. It should be noted that the subject companies in the Privatisation Precedents were involved in industries which are not identical to that of the Company. As such, the analysis should not be considered on an isolated basis but should be taken into account in totality with other factors for considering whether to accept the Proposal. Nevertheless, we are of the view that the Privatisation Precedents would be able to provide us with a fair and representative reference of the recent market pricings of privatisations in Hong Kong market. Set out below is the premium/discount of the cancellation price over/to (i) the respective closing share prices on the last trading day; (ii) the respective average closing share prices for the last 5, 30, 60, 120 and 180 trading days up to and including the last trading day of shares; and (iii) the companies’ latest NAV per share of the Privatisation Precedents and the Proposal.

Date of announcement	Company	Stock code	Principle business	Premium/(discount) of cancellation price over/to the closing price/average closing price per share (Note 1)						Premium/(discount) of cancellation price over/to latest NAV per share (Note 3)
				Last trading day	Last 5 trading days average (Note 2)	Last 30 trading days average (Note 2)	Last 60 trading days average (Note 2)	Last 120 trading days average (Note 2)	Last 180 trading days average (Note 2)	
27 May 2024	Huafa Property Services Group Company Limited	982	Offers property and facility management, design and engineering consulting, brand introduction, hotel advisory, events, and exhibition services	30.63%	36.79%	70.59%	82.24%	90.01%	104.89%	970.11% (Note 4)
28 Mar 2024	SciClone Pharmaceuticals (Holdings) Limited	6600	Develops, produces and sells oncology drug, infectious diseases drugs, and other products	33.90%	36.03%	47.47%	47.93%	58.06%	67.06%	228.35%
14 Dec 2023	Sinosoft Technology Group Limited	1297	Develops and markets export tax software and related services, carbon management solutions, e-Government solutions	29.41%	30.43%	31.13%	22.48%	11.39%	14.23%	(78.85)%
6 Oct 2023	Haitong International Holdings Limited	665	Provides brokerage and retail margin financing, corporate finance, investment management, fixed income, currency and commodities as well as structured financing products	114.08%	111.11%	126.53%	122.22%	125.19%	110.53%	(39.32)%
6 Oct 2023	Pine Care Group Limited	1989	Operates care and attention homes for elderly and provides related services	(1.11)%	0.68%	1.48%	8.94%	(24.01)%	43.78%	(7.90)%
15 Sep 2023	Lansen Pharmaceutical Holdings Limited	503	Produces and sells rheumatic specialty prescription western pharmaceuticals	26.76%	24.14%	20.00%	15.37%	14.60%	23.29%	(22.08)%
1 Sep 2023	CST Group Limited	985	Provides e-logistics, mining businesses and copper mining services	61.29%	24.38%	36.61%	(1.38)%	13.90%	(33.82)%	(60.68)%
27 Jun 2023	Dali Foods Group Company Limited	3799	Manufactures and sells food and beverage	37.87%	36.36%	30.21%	21.75%	49.21%	12.99%	151.68%

Date of announcement	Company	Stock code	Principle business	Premium/(discount) of cancellation price over/to the closing price/average closing price per share (Note 1)					Premium/(discount) of cancellation price over/to latest NAV per share (Note 3)	
				Last trading day	Last 5 trading days average (Note 2)	Last 30 trading days average (Note 2)	Last 60 trading days average (Note 2)	Last 120 trading days average (Note 2)		Last 180 trading days average (Note 2)
11 Jun 2023	Mason Group Holdings Limited	273	Provides financial services, including financial brokerage, leveraged and acquisition financing, asset and wealth management and mortgages business, and also health solutions.	20.71%	20.71%	19.15%	16.15%	82.65%	19.18%	(60.10)%
28 May 2023	Golden Eagle Retail Group Limited	3308	Operates department stores.	40.41%	62.03%	54.87%	49.61%	25.74%	45.36%	(47.40)%
21 Feb 2023	Jiangnan Group Limited	1366	Manufactures and sells wires and cables for power transmission, distribution systems and electrical equipment.	12.68%	72.27%	101.44%	99.55%	11.39%	77.48%	(65.44)%
17 Feb 2023	AAG Energy Holdings Limited	2686	Engages in coalbed methane exploration and development.	10.12%	10.38%	10.69%	23.97%	125.19%	26.09%	(27.50)%
24 Oct 2022	Kingston Financial Group Limited	1031	Operates casinos and hotels, and offers investment banking, securities trading, and financing services.	47.78%	48.37%	39.41%	33.27%	26.64%	10.99%	(57.79)%
			<b>Maximum</b>	114.08%	111.11%	126.53%	122.22%	125.19%	110.53%	228.35%
			<b>Minimum</b>	(1.11)%	0.68%	1.48%	(1.38)%	(24.01)%	(33.82)%	(78.85)%
			<b>Average</b>	36.44%	41.74%	47.00%	42.89%	40.18%	39.40%	(7.25)%
			<b>Median</b>	30.02%	33.59%	38.01%	28.62%	28.31%	28.05%	(43.36)%
The Proposal				25.00%	23.80%	30.20%	39.70%	41.20%	38.10%	(3.20)%

Source: Bloomberg and website of the Stock Exchange

Notes:

1. The figures are extracted from the respective scheme documents. If such data is not available, the figures are calculated based on the cancellation price divided by average closing price of shares during the relevant period.
2. Up to and including the last trading day of the shares.
3. Represents the premium / discount of cancellation price over/to the latest NAV per share (taking into account any adjustments disclosed) attributable to the shareholders of the companies as extracted from the respective scheme documents.
4. We consider this number an outlier given that it is substantially higher than other Privatisation Precedents and therefore it was excluded it in our analysis.



As shown in the table above, the premiums represented by the Cancellation Price over the closing Share price on the Last Trading Day, the average closing prices of the last 5, 30, 60, 120 and 180 trading days up to and including the Last Trading Day are all within the respective ranges of the Privatisation Precedents. In particular, the premiums represented by the Cancellation Price are higher than the respective average and/or median of the last 60, 120, 180 trading days of the Privatisation Precedents. In addition, the discount represented by the Cancellation Price to the latest NAV attributable to Shareholders per Share of the Company as at 30 June 2024 is lower than the average and median discounts of the Privatisation Precedents.

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

### **3.7 Section summary**

Having considered the factors and reasons above, in particular,

- (a) the Cancellation Price is higher than the closing prices of the Shares on all trading days throughout the Review Period, and represents a premium of approximately 31.3% over the average closing prices from the beginning of the Review Period to the Last Trading Day;
- (b) the premiums represented by the Cancellation Price over the closing Share price on the Last Trading Day, the average closing Share prices of the last 5, 30, 60, 120 and 180 trading days up to and including the Last Trading Day are all within the respective ranges of the Privatisation Precedents, and in particular, the premiums represented by the Cancellation Price are higher than the respective average and/or median of the last 60, 120 and 180 trading days of the Privatisation Precedents;
- (c) despite the Cancellation Price represents a slight discount of approximately 1.3% and 4.8% as compared with the NAV attributable to Shareholders per Share of the Company as at 31 December 2023 and 30 June 2024 respectively, it is noted that the Shares had been traded at a deeper discount to the NAV per Share during most of the time in the one-year period before the Last Trading Day, which may indicate that the investors might not price the Shares based solely on the Group's NAV and the Shareholders may not be able to realise their investments in the Shares at a price equal to or at a premium over the NAV per Share on market. In addition, the discount to the Group's NAV attributable to Shareholders as at 30 June 2024 represented by the Cancellation Price is lower than the average and median discounts of the Privatisation Precedents;

- (d) while the Disinterested Shareholders may be attracted to the historical dividend payouts and the dividend policy of the Company, the Company's dividend payout is still subject to various factors including earnings and there is no requirement or assurance that the Company will declare and pay any dividends. In addition, we are of the view that it is possible for the Disinterested Shareholders, if they wish, to reinvest the proceeds from the Proposal in other listed companies in Hong Kong to achieve a similar dividend return; and
- (e) given that the liquidity of the Shares was thin during the Review Period, it may be difficult for the Disinterested Shareholders to dispose of their Shares in the open market without exerting downward pressure on the Share price,

we consider that the Cancellation Price is fair and reasonable and the Proposal provides the Disinterested Shareholders an assured opportunity to monetise their investments in the Company at a fixed Cancellation Price without exerting downward pressure on the Share price.

#### **4. Special deal relating to Rollover Arrangement**

##### ***4.1 Background and rationale of the Rollover Arrangement***

The Offeror proposes that the Rollover Shareholders retain their respective interest in the Company through shareholding in the Offeror after the Scheme becomes effective. As part of the Proposal, the Offeror and the Rollover Shareholders have entered into the Rollover Arrangement comprising: (i) the Rollover Agreement; (ii) the Share Swap Agreement; (iii) the Deed of Indemnity; and (iv) the Shareholders' Agreement, pursuant to which after the Scheme becomes effective, the Rollover Shares will be transferred to the Offeror in exchange for such number of shares to be issued by the Offeror (representing approximately 31.61% of the issued and paid-up share capital of the Offeror) to the Rollover Shareholders credited as fully paid so that the Rollover Shareholders will retain their interest in the Group through the Offeror. The Rollover Shareholders, in aggregate, held 442,526,550 Shares (representing approximately 31.61% of the issued share capital of the Company) as at the Latest Practicable Date. Accordingly, the Rollover Shares will not form part of the Scheme Shares.

The Rollover Shareholders are Mr. Ng Yew Sum, Mr. Law Eng Hock, Mr. Chin Sze Kee and Mr. Luah Kok Lam.

Mr. Ng Yew Sum is an Executive Director, Chairman of the Board and director of all of subsidiaries of the Group who is responsible for overseeing the business operation as well as business development and strategy of the Group. He has been working with the Group since 1990. As at the Latest Practicable Date, Mr. Ng Yew Sum held 340,028,550 Shares, representing approximately 24.29% of the issued Shares.

Mr. Law Eng Hock is an Executive Director, General Manager of China operation of the Group who is responsible for overseeing the overall operations in sales and marketing, engineering as well as manufacturing. He has been working with the Group since 2001. As at the Latest Practicable Date, Mr. Law Eng Hock held 60,040,050 Shares, representing approximately 4.29% of the issued Shares.

Mr. Chin Sze Kee is an Executive Director and a director of certain subsidiaries of the Group who is responsible for overseeing the overall operations in sales and marketing, engineering as well as the manufacturing operations of the Group in Malaysia. He has been working with the Group since 2001. As at the Latest Practicable Date, Mr. Chin Sze Kee held 37,091,850 Shares, representing approximately 2.65% of the issued Shares.

Mr. Luah Kok Lam is the General Manager (Overseas Operations) of the Group who is responsible for overseeing the overseas business development and marketing of the Group. He has been working with the Group since 2007. As at the Latest Practicable Date, Mr. Luah Kok Lam held 5,366,100 Shares, representing approximately 0.38% of the issued Shares.

As set out in the Explanatory Memorandum of the Scheme Document, the Offeror is of the view that the Rollover Shareholders have been working with the Group in their respective managerial positions for a long time, and have the industry experience and expertise which will continue to benefit the development of the Group. It is therefore important for the Company to retain each Rollover Shareholder as a member of the management team of the Group and retain their interest in the Group through the Offeror after completion of the Scheme so that their interests are aligned with the Company and the Offeror, and they can and will continue to contribute to the development of the Group.

#### **4.2 Principal terms of the Rollover Agreement**

On 14 October 2024, the Offeror and the Rollover Shareholders entered into the Rollover Agreement, pursuant to which:

- (a) subject to the fulfillment of conditions of the Rollover Agreement, the Shares held by the Rollover Shareholders (i) will not form part of the Scheme Shares under the Scheme, and the Rollover Shareholders are not entitled to vote on the Scheme at the Court Meeting; and (ii) will not be cancelled and extinguished when the Scheme becomes effective, and accordingly the Rollover Shareholders will remain as the Shareholders after the Scheme becomes effective;
- (b) after the Scheme becoming effective, the Rollover Shares will then be transferred to the Offeror in exchange for such number of shares to be issued by the Offeror (representing approximately 31.61% of the issued and paid-up share capital of the Offeror) to the Rollover Shareholders credited as fully paid. After completion of the Scheme and the transfers of the Rollover Shares, the Rollover Shareholders will, through the Offeror, hold an indirect interest in the Company;
- (c) each of the Rollover Shareholders has undertaken that (i) he will not, directly or indirectly, take any action which will preclude, prejudice, restrict or delay the successful outcome of the Scheme or the Proposal or the withdrawal of listing of Shares on the Stock Exchange or otherwise conflict with or diminish his obligations under the Rollover Agreement; and (ii) subject to compliance with relevant laws and regulations, he will do all such acts and things and execute all such documents as may be reasonably required by the Offeror to give effect to the undertakings contained in the Rollover Agreement;
- (d) each of the Rollover Shareholders has undertaken that, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by him directly on resolutions in relation to the Scheme which such Rollover Shareholders are entitled to vote in accordance with the Offeror's directions, and in the absence of any such directions, to vote in favour of all resolutions which such Rollover Shareholders are entitled to vote and which are necessary to implement the Scheme proposed at a court meeting and/or a general meeting of the Company, and that he shall be bound by, and take all actions necessary to implement the Scheme; and
- (e) before the Scheme becomes effective, lapses or is withdrawn, the Rollover Shareholders shall not (i) directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by him in the Company; (ii) accept, or give any undertaking (whether conditional or unconditional) to accept, exercise

voting rights attached to the Shares held by him to approve or otherwise agree to any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of such Shares or disposal of material assets of the Company and its subsidiaries by any person other than pursuant to the Scheme; and (iii) acquire, subscribe for or otherwise deal in the shares, convertible securities, options or other securities of the Company without prior consent of the Offeror.

Pursuant to the Rollover Agreement, the Rollover Shareholders and the Offeror will enter into the Share Swap Agreement, the Deed of Indemnity and the Shareholders' Agreement to implement the Rollover Arrangement.

The Rollover Agreement will be terminated upon the earlier of (i) any of the Pre-Conditions is not satisfied on or before the Pre-Conditions Long Stop Date; (ii) when the Scheme lapses or is withdrawn, terminated, rescinded by the Offeror or is finally dismissed, finally refused or finally rejected by the Grand Court; or (iii) the date as the parties thereto otherwise agree in writing (but without prejudice to any accrued liabilities arising prior to such termination).

The implementation of the Rollover Arrangement is subject to the fulfillment of the following conditions:

- (a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned;
- (b) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve, among others, the Rollover Arrangement;
- (c) the Scheme becoming effective; and
- (d) the grant of consent from the Executive in respect of the Rollover Arrangement pursuant to note 3 to Rule 25 of the Takeovers Code.

### ***4.3 The Share Swap Agreement***

On 14 October 2024, the Rollover Shareholders and the Offeror entered into the Share Swap Agreement, which shall take effect after the Scheme becoming effective, pursuant to which the Rollover Shareholders will, after the Effective Date, transfer the Rollover Shares, free from all encumbrances and together with all rights that attach (or may in the future attach) to them including, in particular, the right to receive all dividends and distributions declared, made or paid on or after the completion date, at the consideration being equivalent to the Cancellation Price per Rollover Share, to the Offeror, in exchange for the allotment and issuance of such number of new shares to be issued by the Offeror (representing approximately 31.61% of the issued and paid-up share capital of the Offeror) to the Rollover Shareholders credited as fully paid, so that the shareholding of the Rollover Shareholders in the Offeror after the share swap mirrors their shareholding in the

Company prior to the Effective Date. The Share Swap Agreement contains certain indemnity by the Rollover Shareholders in favour of the Offeror for breach of certain warranties on, among other things, corporate matters, accounts and taxation matters of the Group as at the Effective Date.

Upon completion of the Share Swap Agreement, the Rollover Shareholders and MayAir Technology will hold direct interests in the Offeror as to approximately 31.61% and 68.39%, respectively. Accordingly, the Rollover Shareholders will, through the Offeror, hold an indirect interest in the Company.

#### ***4.4 The Deed of Indemnity***

In consideration of the Proposal put forth by the Offeror and the entering into of the Rollover Arrangement by the Offeror, on 14 October 2024, the Rollover Shareholders executed the Deed of Indemnity in favour of the Offeror regarding, among other things, (i) certain warranties on, among other things, corporate matters, accounts and taxation matters of the Group as at the date of the Deed of Indemnity and as at the Effective Date; and (ii) undertakings to (a) vote in favour of all matters necessary for the implementation of the Scheme at the EGM except for matters which the Rollover Shareholders are required to abstain from voting, including the Rollover Arrangement; (b) not to dispose of any Shares held or accept any other offer to acquire such Shares; and (c) not to solicit any person other than the Offeror to make a proposal competing to the Proposal provided that this shall not prevent the Rollover Shareholders from responding to any unsolicited proposals from any person to the extent such response is necessary to comply with the directions, rulings, notices or orders of any relevant governmental authority and any applicable laws.

#### ***4.5 The Shareholders' Agreement***

On 14 October 2024, the Rollover Shareholders and the Offeror entered into the Shareholders' Agreement, which shall take effect after the completion of the Share Swap Agreement (being after the Effective Date), in respect of the governance of the Offeror. A summary of the key terms of the Shareholders' Agreement is set out below:

- (a) **Board composition.** The board of directors of the Offeror shall comprise not more than three directors: (i) two of which shall be directors nominated by MayAir Technology; and (ii) one of which shall be a director nominated by the Rollover Shareholders for so long as the Rollover Shareholders in aggregate hold no less than 10% of the total number of Offeror shares, being Mr. Ng.
- (b) **Funding.** All further financial requirements of the Group shall be funded by external borrowings and/or shareholders' loan from MayAir Technology (on such terms as may be determined by the board of directors of the Offeror). The lending shareholder shall be entitled to charge a reasonable rate of interest under the prevailing market interest rate.

- (c) **Reserved matters.** No reserved matters may be approved, carried out, taken or implemented by the Offeror unless duly approved by the board of directors of the Offeror or approved with 90% majority votes of shareholders of the Offeror, as the case maybe.

Such reserved matters to be approved with unanimous affirmative vote of the board of directors of the Offeror include, among other things: (i) making any borrowing other than borrowings from its bankers agreed in the approved annual budget; (ii) making any material changes to annual budget; (iii) entering into employment contracts with payment of remuneration in excess of HK\$500,000 or its equivalent per annum but below HK\$2,000,000 or its equivalent per annum or increasing the remuneration of any single person to a rate up to HK\$300,000 per annum; (iv) making any loan or granting any credit or giving any guarantee or indemnity otherwise than in the ordinary course of business; (v) incurring of capital and operating expenditure, other than as approved in the annual budget up to HK\$2,000,000 or its equivalent in any twelve month period; or (vi) entering into any related party transactions with any directors or key management of any members of the Group and/or shareholders of the Offeror.

Such reserved matters to be approved with 90% majority votes of shareholders of the Offeror include, among other things: (i) permitting the registration of any person as a shareholder of the Offeror other than any permitted transferees or the sale or transfer of any shares in the Offeror to any person not being an existing shareholder of the Offeror; (ii) entering into employment contracts with payment of remuneration in excess of HK\$2,000,000 or its equivalent per annum or increasing the remuneration of any single person to a rate in excess of HK\$300,000 or its equivalent per annum; (iii) instituting legal proceedings or settling or compromising any legal proceedings exceeding HK\$200,000 or its equivalent; (iv) changing the auditors of any members of the Group or its financial year end; (v) forming any subsidiary or acquiring any other company or participating in any partnership or joint venture; (vi) any investment in, leasing, licensing or acquisition or disposition of material assets, properties or businesses or business undertaking exceeding HK\$500,000 or its equivalent per transaction or such transaction which would have a material change in the business of the Group; (vii) increasing or reducing the amount of the Offeror's issued share capital; (viii) liquidation or winding up or undertake any amalgamation, merger, reorganisation, reconstruction or consolidation (including debt restructuring) of any member of the Group, or the taking of any step by such entity or its shareholders for the appointment of a receiver, receiver and manager, judicial manager or like officer or the presentation of any petition or passing of any resolution to put such entity into administration or for the winding up of such entity; or (ix) any merger, acquisition, consolidation or reorganisation of any members of the Group or amalgamating or merging with any other company or business undertaking.

- (d) **Pre-emption rights.** Shareholders of the Offeror shall have a pre-emption right in respect to any future issue of any share. A Shareholder shall be entitled to subscribe for or purchase, pro-rata to its shareholding in the Offeror.
- (e) **Tag-along rights.** In the event that MayAir Technology receives an offer for any part of its shares in the Offeror from a bona fide third party purchaser that MayAir Technology wishes to accept and the Rollover Shareholders elect not to exercise their right of first refusal, the Rollover Shareholders shall have the right to require MayAir Technology to procure the third party purchaser to offer to purchase such number of shares in the Offeror held by the Rollover Shareholders on the same terms and conditions as set out in such offer, provided that the third party purchaser executes a deed of adherence to the Shareholders' Agreement.
- (f) **Transfer restriction.** Save with the prior written consent of MayAir Technology, no Rollover Shareholder shall transfer his shares or any part of his interest in the shares in the Offeror except in accordance with the provisions of the Shareholders' Agreement. If there is a transfer of the shares in the Offeror, the relevant selling Rollover Shareholder shall procure the transferee to enter into a deed of adherence to the Shareholders' Agreement.
- (g) **Non-compete and non-solicit.** Each of the Rollover Shareholders warrants and undertakes to MayAir Technology that he will not, and will procure that all companies, entities, joint venture or partnership the management of which he has control will not, without the written consent of MayAir Technology, at any time during a period of three years after the relevant shareholder ceases to be a shareholder of the Offeror, (i) engage in any activities in any countries in competition with the Group's business; (ii) induce or attempt to induce any customer of or supplier to the Group's business to cease or refrain from conducting business with, or to reduce the amount of business conducted with, or to vary adversely the terms upon which it conducts business with the Group, or do any other thing which is reasonably likely to have such an effect; (iii) either on his own account or in conjunction with or on behalf of any person, firm or company, carry on or participate or have an interest in, anywhere in the Territory, any business (other than any investment in any company in which it is a passive investor and has no board representation provided that such interest in the equity share capital therein does not exceed 5 per cent of the total issued equity capital of such company) of a type similar to that of the Group's business (or a part thereof) and/or any business which competes directly or indirectly with the Group's business or carry out any activities detrimental to the business of the Group; and (iv) offer employment to, enter into a contract for the services of, or solicit or otherwise attempt to entice away, any employee of any member of the Group or employ or otherwise engage any person who now is or at any



time during one year immediately preceding the relevant shareholder ceases to be a shareholder of the Offeror may have become an employee of any member of the Group and with whom the Rollover Shareholders had contact during his said employment, whether or not such person would commit any breach of his contract of employment by reason of leaving the service of the relevant member of the Group. Such non-compete undertaking does not apply to or restrict the Rollover Shareholders' existing investments in Sum Technic Sdn. Bhd., Sum System Solution Sdn. Bhd., Micronaire Global Sdn. Bhd. and 本濾環境科技江蘇有限公司 (Benew Environmental Technology Co., Ltd.\*) and only on the condition that the existing businesses conducted by these companies are not identical to the business of the Group for provision of clean room wall and ceiling systems.

- (h) **Deadlock or default event.** In the event of a deadlock or an event of default by a shareholder of the Offeror and subject to the procedures as specified in the Shareholders' Agreement, either MayAir Technology or the Rollover Shareholders shall be entitled (but not obliged) to serve a notice requiring the defaulting shareholder to sell all or some of the shares in the Offeror held by him to the non-defaulting shareholder at the deadlock price. The deadlock price is the cost price of the shares in the Offeror as set out in the Share Swap Agreement, being the consideration that the Offeror paid to the Rollover Shareholders to transfer the Rollover Shares to the Offeror at the Cancellation Price per Rollover Share in exchange for allotment and issuance of such number of new shares by the Offeror in its issued and paid-up share capital to the Rollover Shareholders credited as fully paid.
- (i) **Termination.** The Shareholders' Agreement shall terminate (i) upon mutual written agreement of all shareholders of the Offeror; (ii) upon the liquidation or making of an order for the winding-up of the Offeror; or (iii) if all the shares in the Offeror being held beneficially by one shareholder only.

#### ***4.6 Assessment on the Rollover Arrangement***

In assessing the fairness and reasonableness of the Rollover Arrangement, we have considered the following factors:

- (i) *Reliance on the contributions of the Rollover Shareholders*

The main purpose of the Rollover Arrangement is to retain the Rollover Shareholders to continue to serve the Group and to maintain their economic interests in the Group after the implementation of the Scheme so that the Rollover Shareholders will be incentivised to contribute to the future development and growth of the Group. As stated in the "Letter from the Board" and the Explanatory Memorandum contained in the Scheme document, the Rollover Shareholders constitute core management members of the Group

and have held various senior positions in the Group. They joined the Group between 1990 and 2007. They have extensive operation expertise and experience in areas including business development and strategy, sales and marketing, engineering and manufacturing in relation to the Group's business, which is considered as a specialised business.

As discussed in the section headed "1.3. Outlook of the Group" above, the outlook of the Group is subject to the challenges and uncertainties faced by the semiconductor industry in the PRC as a result of geopolitical tensions and economic uncertainties. The prospects and future performance of the Group would therefore, to a certain extent, hinge on the capabilities and performance of its management including the Rollover Shareholders and how they formulate and implement the business strategies and react to the market challenges in the future along with the Offeror and the other shareholder of the Offeror i.e. MayAir Technology. The Rollover Arrangement will align the interest of the Rollover Shareholders with the Group, incentivising the Rollover Shareholders to continue contributing to the development and growth of the Group post privatisation.

*(ii) Entitlement to receive the Cancellation Price in cash*

Pursuant to the Share Swap Agreement, the Rollover Shareholders will, after the Effective Date, transfer the Rollover Shares at the consideration being equivalent to the Cancellation Price per Rollover Share, to the Offeror, in exchange for the allotment and issuance of such number of new shares to be issued by the Offeror (representing approximately 31.61% of the issued and paid-up share capital of the Offeror) to the Rollover Shareholders credited as fully paid. Upon completion of the Share Swap Agreement, the Rollover Shareholders will hold direct interests in the Offeror as to approximately 31.61%, which will be the same as their shareholding in the Company as at the Latest Practicable Date, and as such their effective interest in the Company will be retained.

In contrast, the Disinterested Shareholders are offered an opportunity to realise their shareholdings at the Cancellation Price of HK\$0.25 per Share, which is priced at premiums over recent share prices as discussed in section "3.1 Cancellation Price comparison" above.

*(iii) Reduced protection and potential risks associated with adding an investment in an unlisted company*

If the Disinterested Shareholders were given the opportunity to retain interests in the Offeror, their interests would no longer be safeguarded by regulations relating to minority protection applicable to listed companies on the Stock Exchange post privatisation. In addition, the Disinterested Shareholders might find it difficult to realise their shareholdings as no public trading in the shares of the Offeror would be available.

*(iv) Terms of the Shareholders' Agreement*

The Rollover Shareholders and the Offeror have entered into the Shareholders' Agreement in respect of the governance of the Offeror. Based on our review of the terms, we consider that there is no substantial benefit conferred to the Rollover Shareholders under the terms of the Shareholders' Agreement from the perspective of the Disinterested Shareholders. In particular, we noted that the terms do not set out any committed payments to the Rollover Shareholders, nor any commitment on future purchase of the Offeror's shares held by the Rollover Shareholders. Moreover, we are of the view that the transfer restriction under the terms of the Shareholders' Agreement would reduce the liquidity of the Offeror's shares.

Taking into account the factors above, we are of the view that the terms of the Rollover Arrangement are fair and reasonable so far as the Disinterested Shareholders are concerned.

## **RECOMMENDATION**

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

- (a) The deterioration in profitability of the Group;
- (b) The impacts of the challenges and uncertainties faced by the semiconductor industry in the PRC as a result of geopolitical tensions and economic uncertainties;
- (c) The Cancellation Price is higher than the closing prices of the Shares on all trading days throughout the Review Period, and represents a premium of approximately 31.3% over the average closing price from the beginning of the Review Period to the Last Trading Day;
- (d) The premiums represented by the Cancellation Price over the closing Share price on the Last Trading Day, the average closing Share prices of the last 5, 30, 60, 120 and 180 trading days up to and including the Last Trading Day are all within the respective ranges of the Privatisation Precedents, and in particular, the premiums represented by the Cancellation Price are higher than the average and/or median of the last 60, 120 and 180 trading days of the Privatisation Precedents;
- (e) Despite the Cancellation Price represents a slight discount of approximately 1.3% and 4.8% as compared with the NAV attributable to Shareholders per Share of the Company as at 31 December 2023 and 30 June 2024 respectively, it is noted that the Shares had been traded at a deeper discount to the NAV per Share during most of the time in the one-year period before the Last Trading Day, which may indicate that the investors might not price the Shares based solely on the value of the Group's NAV and the Shareholders may not be able to realise their investments in the Shares at a price equal to or at a premium over the NAV per Share on market. In addition, the

discount to the Group's NAV attributable to Shareholders as at 30 June 2024 represented by the Cancellation Price is lower than the average and median discounts of the Privatisation Precedents;

- (f) While the Disinterested Shareholders may be attracted to the historical dividend payouts and the dividend policy of the Company, the Company's dividend payout is still subject to various factors including earnings and there is no requirement or assurance that the Company will declare and pay any dividends. In addition, we are of the view that it is possible for the Disinterested Shareholders, if they wish, to reinvest the proceeds from the Proposal in other listed companies in Hong Kong to achieve a similar dividend return; and
- (g) Given that the liquidity of the Shares was thin during the Review Period, it may be difficult for the Disinterested Shareholders to dispose of their Shares in the open market without exerting downward pressure on the Share price.

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

In relation to the special deal relating to the Rollover Arrangement, we are of the view that the Rollover Arrangement, as a condition to the passing of the Proposal and Scheme, is fair and reasonable so far as the Disinterested Shareholders are concerned.

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

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

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**

  
**Noelle Hung**  
Managing Director

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

\* For identification purpose only