
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **FSM Holdings Limited**, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Luxuriant East Limited

茂東有限公司

(Incorporated in the British Virgin Islands with limited liability)

FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1721)

**COMPOSITE DOCUMENT
RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY
BRADBURY SECURITIES LIMITED
FOR AND ON BEHALF OF
LUXURIANT EAST LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
FSM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY LUXURIANT EAST LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to the Offeror



Financial adviser to the Company



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Bradbury Securities containing, among other things, principal terms of the Offer is set out on pages 7 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 20 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 21 to 22 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 23 to 37 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Form(s) of Acceptance should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Thursday, 13 February 2020 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

23 January 2020

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EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

2020

Despatch date of this Composite Document and the
accompanying Form(s) of Acceptance and commencement
date of the Offer (*Note 1*) Thursday, 23 January

Latest time and date for acceptance of
the Offer (*Note 2*) 4:00 p.m. on
Thursday, 13 February

Closing Date (*Note 2*) Thursday, 13 February

Announcement of the results of the Offer,
to be posted on the website of
the Stock Exchange (*Note 2*) No later than 7:00 p.m. on
Thursday, 13 February

Latest date for posting of remittances in respect of
valid acceptances received under the Offer (*Note 3*) Monday, 24 February

Notes:

- (1) The Offer, which is unconditional in all respect, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
- (2) In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance will be at 4:00 p.m. on Thursday, 13 February 2020 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on Thursday, 13 February 2020 stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (3) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

EXPECTED TIMETABLE

- (4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day;
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to dates and times contained in this Composite Document and the accompanying Form(s) of Acceptance refer to Hong Kong dates and times.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendors in accordance with the terms and conditions of the Share Purchase Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Akron”	Akron Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Bradbury Securities”	Bradbury Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and the agent making the Offer on behalf of the Offeror
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	13 February 2020, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company, with the consent of the Executive, in accordance with the Takeovers Code
“Company”	FSM Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability whose ordinary shares are listed on the Main Board of the Stock Exchange (stock code: 1721)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer (accompanied by the Form(s) of Acceptance) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Facilities”	loan facilities of up to a principal amount of HK\$170,000,000 in accordance with the Loan Agreement for financing the Offer
“Form(s) of Acceptance”	the form(s) of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Group”	the Company together with its subsidiaries
“Guarantors”	being Mr. Toe Tiong Hock and Ms. Wong Yet Lian Mr. Toe Tiong Hock is the Chairman of the Board, the Chief Executive Officer of the Company and an executive Director. Ms. Wong Yet Lian is the Chief Operating Officer of the Company and an executive Director. Mr. Toe Tiong Hock is the sole shareholder of Vendor 1 and Ms. Wong Yet Lian is the sole shareholder of Vendor 2
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee in respect of the terms of the Offer and as to the acceptance of the Offer
“Independent Shareholder(s)”	holder(s) of Share(s), other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 11 December 2019 in relation to, among others, the Acquisition and the Offer
“Last Trading Day”	9 December 2019, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	20 January 2020, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 9 December 2019 entered into among Tonghai Securities as lender, the Offeror as borrower, pursuant to which Tonghai Securities has agreed to make available to the Offeror the Facilities
“Main Board”	the main board maintained and operated by the Stock Exchange

DEFINITIONS

“Offer”	the mandatory unconditional cash offer made by Bradbury Securities, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it subject to the conditions summarised in this Composite Document and in accordance with the Takeovers Code
“Offer Period”	the period from 11 December 2019, being the date of the Joint Announcement to the Closing Date, or such other date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
“Offer Shares”	any of the 398,000,000 Shares that are subject to the Offer
“Offeror”	Luxuriant East Limited (茂東有限公司), a company incorporated in the BVI with limited liability, being the purchaser under the Share Purchase Agreement. Mr. Li Thet is the sole ultimate beneficial shareholder and sole director of the Offeror
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on 12 June 2019, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“S\$”	Singapore dollars, the lawful currency of Singapore
“Sale Shares”	collectively, Sale Shares 1 and Sale Shares 2

DEFINITIONS

“Sale Shares 1”	301,000,000 Shares agreed to be sold by Vendor 1 and agreed to be acquired by the Offeror pursuant to the terms and conditions of the Share Purchase Agreement, representing 30.1% of the entire issued share capital of the Company as at the date of the Joint Announcement
“Sale Shares 2”	301,000,000 Shares agreed to be sold by Vendor 2 and agreed to be acquired by the Offeror pursuant to the terms and conditions of the Share Purchase Agreement, representing 30.1% of the entire issued share capital of the Company as at the date of the Joint Announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Purchase Agreement”	the conditional agreement for the sale and purchase of the Sale Shares dated 9 December 2019 and entered into among the Vendors, the Guarantors and the Offeror
“Shareholder(s)”	holder(s) of Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tonghai Securities”	China Tonghai Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Vendor 1”	KAL SG Limited, a company incorporated in the BVI with liability limited by shares and which is solely and beneficially owned by Mr. Toe Tiong Hock, who is an executive Director

DEFINITIONS

“Vendor 2”	KYL SG Limited, a company incorporated in the BVI with liability limited by shares and which is solely and beneficially owned by Ms. Wong Yiet Lian, who is an executive Director
“Vendors”	collectively, Vendor 1 and Vendor 2, and “Vendor” shall mean any one of them
“%”	per cent.

Unless stated otherwise, in this Composite Document, amounts denominated in S\$ have been translated into HK\$ at the exchange rate of HK\$1.00 to S\$0.17. No representation is made that the HK\$ amounts could have been or could be converted into S\$ at such rate or any other rate or at all. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.

LETTER FROM BRADBURY SECURITIES



To the Independent Shareholders

23 January 2020

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
BRADBURY SECURITIES LIMITED
FOR AND ON BEHALF OF
LUXURIANT EAST LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
FSM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY LUXURIANT EAST LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 11 December 2019, the Offeror and the Company jointly announced that on 9 December 2019 (after trading hours), the Vendors, the Guarantors and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase an aggregate of 602,000,000 Shares, representing 60.2% of the total issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK\$252,840,000 (being HK\$0.42 per Sale Share).

Immediately after Completion which took place on 20 December 2019 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own in aggregate 602,000,000 Shares, representing 60.2% of the total issued share capital of the Company. The Offeror will therefore upon Completion be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it.

This letter sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Independent Shareholders and the "Letter from the Independent Financial Adviser" to the Independent Board Committee as contained in this Composite Document.

LETTER FROM BRADBURY SECURITIES

THE OFFER

Principal terms of the Offer

We are making the Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

For each Offer Share HK\$0.42 in cash

The price of HK\$0.42 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendors pursuant to the Share Purchase Agreement.

As at the Latest Practicable Date, there are 1,000,000,000 Shares in issue and the Company does not have any outstanding options, warrants or derivatives or securities convertible into Shares.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Offer Price

The offer price of the Offer of HK\$0.42 per Offer Share represents:

- (i) a discount of 16% to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 8.70% to the average closing price of approximately HK\$0.46 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 12.50% to the average closing price of approximately HK\$0.48 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 10.64% to the average closing price of approximately HK\$0.47 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 82.61% over the Group's audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.23 as at 31 December 2018 (based on a total of 1,000,000,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately S\$39.7 million (equivalent to approximately HK\$233.5 million) as at 31 December 2018);

LETTER FROM BRADBURY SECURITIES

- (vi) a premium of approximately 82.61% over the Group's unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.23 as at 30 June 2019 (based on a total of 1,000,000,000 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately S\$39.4 million (equivalent to approximately HK\$231.8 million) as at 30 June 2019); and
- (vii) a discount of approximately 4.55% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share Prices

The highest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$0.53 per Share on 7 November 2019, 8 November 2019, 20 November 2019 and 25 November 2019, respectively.

The lowest closing price of the Shares quoted on the Stock Exchange during the Relevant Period was HK\$0.39 per Share on 8 October 2019, 9 October 2019, 10 October 2019, 23 October 2019 and 24 October 2019, respectively.

Total Consideration for the Offer Shares

Assuming that there is no change in the issued share capital of the Company and based on the offer price of HK\$0.42 per Offer Share, the total issued share capital of the Company is valued at HK\$420,000,000. The Offer will be made to the Independent Shareholders. As the Offeror and parties acting in concert with it hold in aggregate 602,000,000 Shares immediately after Completion, 398,000,000 Shares will be subject to the Offer. Based on the offer price of HK\$0.42 per Offer Share, the consideration of the Offer would be HK\$167,160,000. The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document.

As at the Latest Practicable Date, none of the dividends declared by the Company remained unpaid. The Company confirms that it does not intend to declare any dividends during the Offer Period.

Financial resources available for the Offer

The maximum amount of cash payable by the Offeror in respect of full acceptances of the Offer is HK\$167,160,000, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer. The Offeror intends to finance the consideration payable under the Offer with the Facilities which Tonghai Securities (as lender) has agreed to make available to the Offeror (as borrower) in accordance with the Loan Agreement. The Facilities are secured by (i) share charges given by the Offeror in favour

LETTER FROM BRADBURY SECURITIES

of Tonghai Securities over the Sale Shares and the Offer Shares to be acquired by the Offeror pursuant to the Offer (the “**Share Charges**”); and (ii) the charge given by the Offeror in favour of Tonghai Securities over the Offeror’s account with Tonghai Securities.

The Offeror does not intend that the payment of interest on, repayment of or provision of security for any liability (contingent or otherwise) under the Facilities will depend to any significant extent on the business of the Company.

Akron, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

Effect of accepting the Offer

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Offer Shares sold by such person under the Offer are free from all encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of this Composite Document.

The Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 4 headed “Right of Withdrawal” in Appendix I to this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible within seven Business Days following the date of receipt of a duly completed acceptance. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

Hong Kong Stamp duty

Seller’s ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers’ ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer’s ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

LETTER FROM BRADBURY SECURITIES

Overseas Shareholders

As the Offer to persons not being resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Taxation advice

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendors, the Guarantors and their respective ultimate beneficial owners, directors, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of the Stock Exchange since 16 July 2018. The Group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. The Group generally produces and supplies customised sheet metal products to customers. It also provides precision machining services to semi-finished products to customers.

Your attention is also drawn to the information on the Group set out in the section headed “Information on the Group” in the “Letter from the Board” and Appendix III as contained in this Composite Document.

INFORMATION ON THE OFFEROR

Luxuriant East Limited is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, save for entering into of the Share Purchase Agreement, the Offeror did not engage in any other business activities.

LETTER FROM BRADBURY SECURITIES

As at the Latest Practicable Date, Mr. Li Thet (“**Mr. Li**”), aged 32, is the sole ultimate beneficial owner and the sole director of the Offeror. Mr. Li holds a bachelor degree in electronic commerce from Beijing Information Science and Technology University* (北京信息科技大學) in 2009. Mr. Li has 10 years of experience in management and technology solution development in information technology industry in the PRC and is familiar with digital management and application of information technology. Mr. Li founded a company which is principally engaged in the development and operations of mobile games in the PRC in 2011. He is currently the chairman and chief executive officer of such company.

Mr. Li is also experienced in investing (i) mutual funds comprising equity fund and fund with multi-assets allocation strategy for providing capital gain and/or income through investment in the wide spectrum of permitted investments globally including equities, equity-related securities, fixed income transferable securities etc. in various markets (such as United States, Europe, emerging markets, Hong Kong, Asia Pacific etc.); and (ii) real estate in Singapore.

Mr. Li does not have experience in business which is exactly identical to the Group’s business. However, Mr. Li, in his capacity as an investor of the Group, intends to leverage on the expertise and experience of the management of the Group for operations of the Group. As at the Latest Practicable Date, none of the Directors had any intention to resign after the close of the Offer.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

As at the Latest Practicable Date, the Offeror is the controlling shareholder of the Company and is interested in 60.2% of the issued share capital of the Company.

The Group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. The Group generally produces and supplies customised sheet metal products to customers. It also provides precision machining services to semi-finished products to customers. The Offeror is of the view that the Group is an attractive investment whose current businesses have established networks and reputation in the sheet metal production sector.

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that as permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). The Offeror also intends to continue the existing principal business of the Group. However, the Offeror also intends to review the operation and business activities of the Group to formulate a long-term business strategy for the Group. Subject to the results of such review, the Offeror may explore other business and/or seek to expand the geographical coverage of the principal business of the Group in addition to the market of Singapore.

* *For identification purposes only*

LETTER FROM BRADBURY SECURITIES

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, (i) the Offeror has no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or redeploy the assets of the Group other than those in its ordinary course of business; (iii) the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group; and (iv) no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

The Offeror intends to nominate new director(s) to the Board with effect from a date which is no earlier than such date as permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror has undertaken; and together with the new Directors to be appointed to the Board as nominated by the Offeror, once appointed, will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. The Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps while they remain on the Board to ensure that sufficient public float exists in the Shares after the close of the Offer.

ACCEPTANCE AND SETTLEMENT OF THE OFFER

Your attention is drawn to the details regarding the procedures for acceptance and settlement of the Offer as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

LETTER FROM BRADBURY SECURITIES

COMPULSORY ACQUISITION

The Offeror does not intend to exercise of any powers of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members. None of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, Bradbury Securities, the Independent Financial Adviser, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offer as set out in the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully,
For and on behalf of
Bradbury Securities Limited
Chan Hung Ti
Director

LETTER FROM THE BOARD

FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1721)

Executive Directors:

Mr. Toe Tiong Hock
Ms. Wong Yet Lian
Ms. Lim Siew Choo

Independent non-executive Directors:

Mr. Ng Hung Fai Myron
Mr. Bau Siu Fung
Prof. Pong Kam Keung

Registered Office:

P.O. Box 2681
Cricket Square
Hutchins Drive
Grand Cayman KY1-1111
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Unit B, 17/F.
United Centre
95 Queensway
Hong Kong

23 January 2020

To the Independent Shareholders:

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
BRADBURY SECURITIES LIMITED
FOR AND ON BEHALF OF
LUXURIANT EAST LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
FSM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY LUXURIANT EAST LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement.

On 11 December 2019, the Offeror and the Company jointly announced that on 9 December 2019 (after trading hours), the Vendors, the Guarantors and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase 602,000,000 Shares, representing 60.2% of the total issued share capital of the Company as at the date of the Joint Announcement, for a total cash

LETTER FROM THE BOARD

consideration of HK\$252,840,000 (being HK\$0.42 per Share). Save for the consideration paid by the Offeror to the Vendors under the Share Purchase Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or parties acting in concert with it to the Vendors or parties acting in concert with it in respect of the Sale Shares.

Immediately after Completion which took place on 20 December 2019 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 602,000,000 Shares, representing 60.2% of the total issued share capital of the Company. The Offeror therefore upon Completion is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties in concert with it.

Further details of the Offer are set out in the “Letter from Bradbury Securities” and Appendix I to this Composite Document of which this letter forms part, and in the accompanying Form(s) of Acceptance.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee in relation to the Offer.

THE OFFER

As at the Latest Practicable Date, there were 1,000,000,000 Shares in issue.

There were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Offer

As disclosed in the “Letter from Bradbury Securities” on pages 7 to 14 of this Composite Document, Bradbury Securities is making the Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

For each Offer Share HK\$0.42 in cash

The price of HK\$0.42 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendors pursuant to the Share Purchase Agreement.

The Shares to be acquired under the Offer shall be fully paid, free from all encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which

LETTER FROM THE BOARD

the Offer is made, i.e. the date of this Composite Document. As at the Latest Practicable Date, none of the dividends declared by the Company remained unpaid. The Company confirms that it does not intend to declare any dividends during the Offer Period. The Offer is unconditional in all respects. Acceptance of the Offer tendered by the Independent Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

Your attention is drawn to the further details regarding the procedures for acceptance of the Offer, settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of the Stock Exchange since 16 July 2018. The Group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. The Group generally produces and supplies customised sheet metal products to customers. It also provides precision machining services to semi-finished products to customers.

The following table sets out the shareholding structure of the Company (a) as at the date of the Joint Announcement; and (b) immediately after Completion and before the Offer and as at the Latest Practicable Date:

	As at the date of the Joint Announcement		Immediately after Completion and before the Offer and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror and parties acting in concert with it	–	–	602,000,000	60.2
Vendors	602,000,000	60.2	–	–
Independent Shareholders	398,000,000	39.8	398,000,000	39.8
	<u>1,000,000,000</u>	<u>100.0</u>	<u>1,000,000,000</u>	<u>100.0</u>

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 31 December 2017 and 31 December 2018 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2019, prepared in accordance with the relevant accounting principles and financial regulations applicable to the International Financial Reporting Standards:

	For the financial year ended		For the six
	31 December	31 December	months ended
	2017	2018	30 June
	S\$	S\$	S\$
	(audited)	(audited)	(unaudited)
Revenue	20,791,000	19,848,000	4,970,000
Profits before tax	6,462,000	2,951,000	24,000
Profit for the year/period	6,138,000	2,052,000	6,000
Net assets	17,321,000	39,653,000	39,399,000

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraphs headed “Information on the Offeror” and “Intentions of the Offeror regarding the Group” in the “Letter from Bradbury Securities” as set out on pages 7 to 14 of this Composite Document. The Board is aware of the intentions of the Offeror regarding the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Independent Shareholders as a whole. The Board is aware that the Offeror intends to continue the existing principal business of the Group, but the Offeror also intends to review the operation and business activities of the Group to formulate a long-term business strategy for the Group. The Board is aware that, as at the Latest Practicable Date, (i) the Offeror had no intention to make material changes to the employment of the employees of the Group (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules or the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror had no intention to dispose of or redeploy the assets of the Group other than those in its ordinary course of business; (iii) the Offeror had no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses of the Group; and (iv) no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or businesses into the Group.

LETTER FROM THE BOARD

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror has undertaken; and together with the new Directors to be appointed to the Board as nominated by the Offeror, once appointed, will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. The Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps while they remain on the Board to ensure that sufficient public float exists in the Shares after the close of the Offer.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung, has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer. Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 21 to 22 of this Composite Document; and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 23 to 37 of this Composite Document containing their respective advice and recommendation in respect of the Offer and principal factors considered by them in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Offer.

LETTER FROM THE BOARD

In considering what actions to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your own professional advisers.

Yours faithfully,
On behalf of the Board of

FSM Holdings Limited

Toe Tiong Hock

Chairman, Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer prepared for the purpose of inclusion in this Composite Document.

FSM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1721)

23 January 2020

To the Independent Shareholders:

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
BRADBURY SECURITIES LIMITED
FOR AND ON BEHALF OF
LUXURIANT EAST LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
FSM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO
BE ACQUIRED BY LUXURIANT EAST LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 23 January 2020 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. the Independent Shareholders) as to whether or not the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of the acceptance of the Offer. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the terms of the Offer and, in particular, whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and to make recommendation in respect of the acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from the Independent Financial Adviser” on pages 23 to 37 of this Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Bradbury Securities” and the additional information set out in the appendices to this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Taking into account the terms of the Offer and the Independent Financial Adviser's advice and recommendations, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" set out in this Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the market price of the Shares exceed the Offer price during the Offer Period, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document and the accompanying Form(s) of Acceptance.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
FSM Holdings Limited
Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung, Prof. Pong Kam Keung
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee regarding the Offer for the purpose of incorporation into the Composite Document in respect of the Offer.



23 January 2020

To: The Independent Board Committee of FSM Holdings Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
BRADBURY SECURITIES LIMITED
FOR AND ON BEHALF OF LUXURIANT EAST LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
FSM HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED
AND/OR AGREED TO BE ACQUIRED BY
LUXURIANT EAST LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offer. The details of the Offer are set out in the Composite Document of the Company dated 23 January 2020, of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as those defined in the Composite Document.

Reference is made to the Joint Announcement. On 9 December 2019 (after trading hours), the Vendors, the Guarantors and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase an aggregate of 602,000,000 Shares, representing 60.2% of the then total issued share capital of the Company, for a total cash consideration of HK\$252,840,000 (being HK\$0.42 per Sale Share). Completion took place subsequently on 20 December 2019.

Prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in 602,000,000 Shares, representing 60.2% of the total issued share capital of the Company. Pursuant to Rule 26.1 of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Takeovers Code, upon Completion, the Offeror is required to make a mandatory unconditional cash general offer for all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it.

As at the Latest Practicable Date, there were 1,000,000,000 Shares in issue and the Company did not have any outstanding options, warrants, convertible securities or securities derivatives convertible into Shares. As the Offeror and parties acting in concert with it will hold in aggregate 602,000,000 Shares immediately after Completion, 398,000,000 Shares will be subject to the Offer. Based on the offer price of HK\$0.42 per Offer Share, the consideration of the Offer would be HK\$167,160,000.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer namely, Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung, to advise the Independent Shareholders as to whether the terms are fair and reasonable and as to the acceptance of the Offer.

We, Lego Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to whether the terms of the Offer are fair and reasonable and whether the Independent Shareholders should accept the Offer. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

Apart from the normal professional fees for our services to the Company in connection with the Offer, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We have not acted, within the past two years, as an independent financial adviser or a financial adviser to the Company. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Group, the Offeror, the Vendors and their respective controlling shareholders, controlled companies and/or any party acting in concert with any of them that could reasonably be regarded as relevant to our independence. We are independent under the Takeovers Code to act as the independent financial adviser to the Independent Board Committee in connection with the Offer.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have reviewed, inter alia, the Joint Announcement, the listing prospectus of the Company dated 29 June 2018 (the “**Prospectus**”), the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”). We have relied on the statements, information and representations contained or referred to in the Composite Document and the information provided and representations made to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information and representations contained or referred to in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Composite Document and all information provided and representations made by the Directors and the Management for which they are solely responsible, are true and accurate at the time they were provided and made and as at the Latest Practicable Date, and Independent Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the Management. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld; nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, incorrect or misleading. We have not carried out any independent verification of the information provided and representations made to us by the Directors and the Management; nor have we conducted an independent investigation into the business and affairs of the Group and the Offeror.

We have not considered the tax consequences on the Independent Shareholders of their acceptance or non-acceptance of the Offer since they are particular to their own individual circumstances. In particular, Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued to advise the Independent Board Committee regarding the Offer, and except for its inclusion in the Composite 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations on the Offer to the Independent Board Committee, we have taken into account the following principal factors and reasons:

1. Background information on the Group

The Company was incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of the Stock Exchange since 16 July 2018 (the “**Listing**”). The Group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. The Group generally produces and supplies customised sheet metal products to customers. It also provides precision machining services to semi-finished products to customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1. Financial information of the Group

Set out below is a summary of the audited financial information of the Group for each of the three financial years ended 31 December 2018 as extracted from the Prospectus and the 2018 Annual Report, as well as for each of the six months ended 30 June 2018 and 2019 as extracted from the 2019 Interim Report:

Table 1: Financial highlights of the Group

	For the year ended			For the six months	
	31 December			ended	
	2016	2017	2018	2018	2019
	S\$'000 (audited)	S\$'000 (audited)	S\$'000 (audited)	S\$'000 (unaudited)	S\$'000 (unaudited)
Revenue	12,598	20,791	19,848	11,279	4,970
Profit for the year/period attributable to owners of the Company	2,244	6,138	2,052	(157)	6

	As at 31 December			As at
				30 June
	2016	2017	2018	2019
	S\$'000 (audited)	S\$'000 (audited)	S\$'000 (audited)	S\$'000
Non-current assets	10,253	13,969	15,327	16,793
Current assets	13,567	13,555	30,129	28,096
Current liabilities	(4,681)	(9,145)	(4,363)	(2,720)
Non-current liabilities	(1,183)	(1,058)	(1,440)	(2,770)
Net current assets	8,886	4,410	25,766	25,376
Net assets	17,956	17,321	39,653	39,399

For the year ended 31 December 2017

For the year ended 31 December 2017, revenue of the Group increased by approximately 65.00% to approximately S\$20.79 million from approximately S\$12.60 million for the year ended 31 December 2016, which was mainly attributable to an increase in sales of sheet metal products relating to semiconductor manufacturing, particularly for a new product with the commencement of its mass production in 2017, as well as an increase in sales of products relating to machinery and machine tools manufacturing. Profit for the year ended 31 December 2017 attributable to owners of the Company increased

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

substantially by approximately 174.11% to approximately S\$6.14 million from approximately S\$2.24 million for the year ended 31 December 2016, which was in line with the increase in gross profit for the year ended 31 December 2017. Based on the Prospectus, the increase in profit for the year ended 31 December 2017 attributable to owners of the Company was primarily due to the net effect of (i) the increase in revenue as discussed above; (ii) the recognition of other losses, net, which mainly comprised foreign exchange losses, as opposed to the recognition of other gains, net, during the preceding year; and (iii) the increase in administrative expenses incurred mainly as a result of the increase in staff costs, other licence application fees and other documentation charges.

As at 31 December 2017, the Group recorded net current asset and net assets of approximately S\$4.41 million and approximately S\$17.32 million, respectively.

For the year ended 31 December 2018

For the financial year ended 31 December 2018, revenue of the Group decreased by approximately 4.52% to approximately S\$19.85 million from approximately S\$20.79 million for the year ended 31 December 2017, which was mainly attributable to the then decreasing sales for sheet metal products in printing application. Profit for the year ended 31 December 2018 attributable to owners of the Company, on the other hand, decreased by approximately 66.61% to approximately S\$2.05 million from approximately S\$6.14 million for the year ended 31 December 2017, which was mainly due to the non-recurring expenses of approximately S\$4.15 million incurred in connection with the Listing. If the Listing expenses were excluded, the Group would have recorded a profit attributable to owners of the Company of approximately S\$6.20 million in the year ended 31 December 2018, representing a slight increase of approximately 0.98% as compared to the year ended 31 December 2017. With reference to the 2018 Annual Report, without taking into account of the Listing expenses, the increase in profit for the year ended 31 December 2018 attributable to owners of the Company was primarily due to the net effect of (i) the slight increase in gross profit; (ii) the decrease in other income which mainly comprised government grant and scarp sales; (iii) the decrease in other losses, net, which mainly comprised foreign exchange losses; and (iv) the recognition of finance income, net, as opposed to the finance costs, net, recognised for the preceding year.

As at 31 December 2018, the Group recorded net current assets and net assets of approximately S\$25.77 million and approximately S\$39.65 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2019

For the six months ended 30 June 2019, revenue of the Group decreased by approximately 55.94% to approximately S\$4.97 million from approximately S\$11.28 million for the six months ended 30 June 2018. According to the 2019 Interim Report, such decrease in revenue was mainly attributable to the decrease in sales of sheet metal products affected by the ongoing trade conflicts the PRC and the United States (the “**US-China Trade War**”). Profit attributable to owners of the Company amounted to approximately S\$6,000 for the six months ended 30 June 2019, as opposed to the loss of approximately S\$0.16 million for the preceding corresponding period. By excluding the non-recurring Listing expenses of approximately S\$3.37 million, the Company would have generated profit attributable to owners of the Company of approximately S\$3.21 million for the six months ended 30 June 2018, and therefore the profit attributable to owners of the Company for the six months ended 30 June 2019 would have represented a period-on-period decrease of approximately 99.81%. Based on the 2019 Interim Report, such significant drop in the Group’s performance was mainly due to (i) the decrease in revenue as discussed above; (ii) the decrease in gross profit of the Group due to deteriorating market conditions leading to the decrease in orders for sheet metal products from customers in the semiconductor manufacturing.

As at 30 June 2019, the Group recorded net current asset and net assets of approximately S\$25.38 million and approximately S\$39.40 million, respectively.

1.2. Prospect of the Group

Based in Singapore, the Group generally produces and supplies customised sheet metal products to customers, who are primarily manufacturers that subsequently integrate and assemble such sheet metal products into machineries used for various applications including but not limited to semiconductor manufacturing, machinery and machine tools manufacturing and printing application, as well as provides precision machining services to semi-finished products to customers. Taking into account that the sales of sheet metal products accounted for over 95% of the total revenue of the Group for the year ended 31 December 2018, in assessing the future prospect of the Group, we have primarily considered the recent performance of the Group’s sales of sheet metal products and the future prospect of the manufacturing sector in Singapore, which is considered to be associated with the sales performance of the Group’s sheet metal products.

Based on our research conducted from the public domain, performances of both the overall economy and manufacturing sector in Singapore were relatively strong in 2018, followed by a general moderation during 2019. With reference to the “Economic Survey of Singapore” released by the Ministry of Trade and Industry Singapore (the “MTIS”) (<https://www.mti.gov.sg/>) for 2018, the overall economy of Singapore

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expanded significantly by 3.2% in 2018 as compared to that in 2017, with the manufacturing sector being the largest contributor to such growth. With respect to the manufacturing sector, the real gross domestic demand exhibited a year-on-year increase of 7.2% in 2018 as compared to 2017. Based on the advance estimates published by the MTIS in January 2020, during the fourth quarter of 2019, despite the slight expansion in the overall Singapore economy of 0.7% on a year-on-year basis, the manufacturing sector shrank by 2.1% which extended the 0.9% decline in the previous quarter. According to the latest “Economy Survey of Singapore”, going forward, while the manufacturing sector in Singapore is expected to recover gradually in 2020, the global economy shall be subject to uncertainties arising from several factors including the ongoing US-China trade tensions and the potential escalation thereof. In line with the aforesaid, it is suggested in the research “US-China Trade Tensions: Effects on Singapore and Malaysia” published on 7 January 2019 by ISEAS – Yusof Ishak Institute (www.iseas.edu.sg), a research institution established by an Act of Parliament in Singapore in 1968, that the deteriorating trade or political environment as a result of the US-China trade shall affect, among others, Singapore in terms of trade in goods and services, confidence and financial markets, as well as long-term growth and institutions.

Despite the then prevailing relatively strong performances of the overall economy and manufacturing sector in Singapore, revenue of the Group from sales of sheet metal products decreased slightly by approximately 3.80% in 2018 as compared to that in 2017 against a period-over-period increase during the first half of 2018 as compared to that for the first half of 2017, implying a period-over-period decrease in the revenue during the second half of 2018. During the six months ended 30 June 2019, revenue of the Group from sales of sheet metal products decreased significantly by approximately 54.86% as compared to the six months ended 30 June 2018, which was mainly attributable to a substantial decrease in sales of products relating to semiconductor manufacturing, an important revenue contributor of the Group which accounted for more than 50% of its revenue for each of 2017 and 2018, as primarily affected by the US-China Trade War, the impacts on the Group’s business of which had become relatively significant since then. Based on the 2019 Interim Report, being highly reliant on trade, Singapore has been affected by the US-China trade tensions and the corresponding adverse impacts on the industry have resulted in the Group’s customers delaying finished good delivery and accordingly facing a decrease in orders from their customers. As advised by the Management, while over 98% of the Group’s revenue for the year ended 31 December 2018 was accounted for by sales to customers based in Singapore, the Group’s largest customer in each of 2017 and 2018 is held by a multi-national company and based on the Management’s understanding, such customer and/or its customer and/or parent or affiliated companies have business presence in the PRC, with the Group’s revenue accounted by it having decreased significantly during the six months ended 30 June 2019 as compared to the preceding corresponding period. Accordingly, despite the absence of any material changes in the competitive landscape of the precision metal market in Singapore since Listing, due to the additional tariffs imposed by the Chinese governments on metal products

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originating from the United States under the US-China Trade War, demand for goods from some of the Group's customers has been adversely affected, resulting in a decline in the sale of the Group's sheet metal products to them.

According to the 2019 Interim Report, while the global economy and market environment shall remain challenging in the future as the US-China Trade War escalates, the Group shall continue to place strong efforts and deploy different strategies, including but not limited to the enhancement of production competency through upgrading of machines and robotics, monitoring of operational costs, maintaining close contact with customers and suppliers as well as potential pursuit of various investment opportunities in order to diversify the earning base, in order to tackle the challenges.

Overall, notwithstanding that strong efforts would be placed by the Group to tackle the ongoing challenges faced by the market, considering (i) the declining sales performance of the Group's sheet metal products during the year ended 31 December 2018 against the then relatively performance of both the overall and manufacturing markets in Singapore; (ii) the significant decline in the sales performance of the Group's sheet metal products during the six months ended 30 June 2019 as mainly attributable to the US-China Trade War, it remains uncertain as to the Group's capabilities to tolerate the potential pressure as continuously imposed from the US-China Trade War and achieve a turnaround in the business performance in the near future.

2. Principal terms of the Offer

The Offer is being made by Bradbury Securities, on behalf of the Offeror, to all Independent Shareholders to acquire all the Shares, other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$0.42 in cash

The offer price of HK\$0.42 per Offer Share (the "**Offer Price**") is equal to the price paid for each Sale Share by the Offeror to the Vendor under the Share Purchase Agreement and represents:

- (i) a discount of 16% to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 8.70% to the average closing price of approximately HK\$0.46 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

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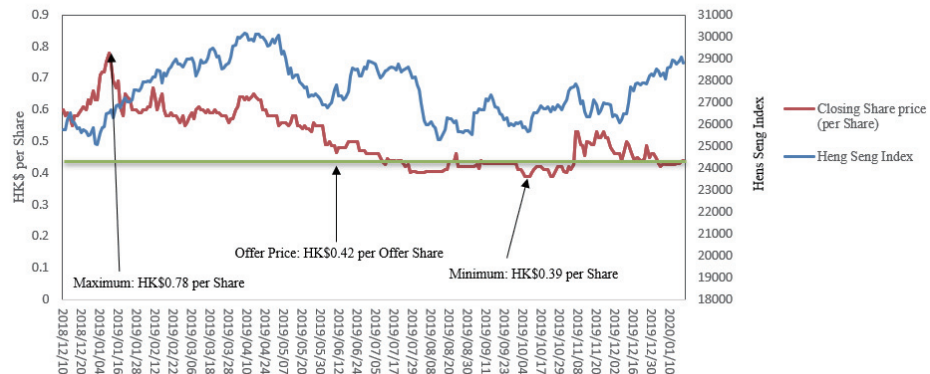
- (iii) discount of approximately 12.50% to the average closing price of approximately HK\$0.48 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 10.64% to the average closing price of approximately HK\$0.47 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 82.61% over the Group's audited consolidated net asset value attributable to the Shareholders per Share (the "**Audited NAV per Share**") of approximately HK\$0.23 as at 31 December 2018 (based on a total of 1,000,000,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately S\$39.7 million (equivalent to approximately HK\$233.5 million) as at 31 December 2018);
- (vi) a premium of approximately 82.61% over the Group's unaudited consolidated net asset value attributable to the Shareholders per Share (the "**Unaudited NAV per Share**") of approximately HK\$0.23 as at 30 June 2019 (based on a total of 1,000,000,000 Shares as at the date of the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately S\$39.4 million (equivalent to approximately HK\$231.8 million) as at 30 June 2019); and
- (vii) a discount of approximately 4.55% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Offer Price, we have primarily made reference to (i) the historical price performance of the Shares; and (ii) the historical trading volume of the Shares.

2.1. Historical price performance of the Shares

The following Chart 1 sets out the daily closing price of the Shares on the Stock Exchange for the period from 10 December 2018, being the first trading day of the 12-month period prior to the date of the Joint Announcement up to and including the Latest Practicable Date (the "**Review Period**") and the comparison of the Share price performance with the Heng Seng Index ("**HSI**") and the Offer Price. We consider the Review Period a sufficient and reasonable period to provide a general view of the recent Share price performance when assessing the fairness and reasonableness of the Offer Price.

Chart 1: Daily closing price of the Shares and the daily performance of the HSI during the Review Period



Source: The official website of the Stock Exchange (<https://www.hkex.com.hk/>)

Note: Trading in the Shares was suspended from the morning session of 10 December 2019 up to 11 December 2019.

During the Review Period, the closing prices of the Shares ranged from HK\$0.39 per Share to HK\$0.78 per Share, with an average closing price of approximately HK\$0.51 per Share. The Offer Price of HK\$0.42 per Offer Share therefore represents a discount of approximately 46.15% and approximately 17.55% to the highest and average closing price of the Shares, respectively, and represents a premium of approximately 7.69% over the lowest closing price of the Shares during the Review Period. In addition, during the Review Period, there were 52 trading days in which the Offer Price was either equal to or higher than the then closing price of the Shares.

As illustrated in the Chart 1, save for a significant increase in the closing price of the Shares as opposed to the trend of the HSI during the period from 14 December 2018 to 10 January 2019, the closing price of the Shares was generally declining during the Review Period. After the aforesaid increase in the closing price of the Shares during the period from 19 December 2018 to 10 January 2019, on which it reached its maximum value of the Review Period of HK\$0.78 per Share, closing price of the Shares started to decrease thereafter until it reached HK\$0.56 per Share on 28 March 2019. Then, closing price of the Shares started to rebound after 28 March 2019 and reached HK\$0.65 on 15 April 2019, upon which it generally declined and reached the minimum value of the Review Period of HK\$0.39 per Share on 8 October 2019, 9 October 2019 and 10 October 2019. Then, closing price of the Shares started to recover again and reached HK\$0.53 per Share on 8 November 2019, after which it oscillated within a narrow range and reached HK\$0.50 per Share on 9 December 2019, being the Last Trading Day. Based on the information from the website of the Stock Exchange, save for the publications by the Company regarding its annual results for the year ended 31 December 2018 on 15 March 2019, a profit warning in relation to

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its interim results for the six months ended 30 June 2019 on 8 July 2019, as well as its interim results for the six months ended 30 June 2019 on 13 August 2018, respectively, we were not aware of any announcements issued by the Company relating to the abovementioned fluctuation of the price of the Shares. As advised by the Management, they were not aware of any particular reasons that led to the above-mentioned trend and/or fluctuation of the closing price of the Shares.

After publication of the Joint Announcement on 11 December 2019, closing price of the Shares has been generally decreasing and reached HK\$0.44 on the Latest Practicable Date. Accordingly, the Offer Price represents a slight discount of approximately 4.55% to the closing price of the Shares as at the Latest Practicable Date.

Despite the Offer Price represents a discount to the closing price of the Shares on the Last Trading Day as well as the respective averages of the closing price of the Shares for the five, ten and 30 consecutive trading days immediately prior to the Last Trading Day, taking into account (i) the generally decreasing trend of the Share price throughout the entire Review Period; (ii) the Offer Price represents merely a slight discount of approximately 4.55% to the closing price of the Shares as at the Latest Practicable Date amid the generally decreasing trend of the Share price recently after publication of the Joint Announcement; (iii) the Offer Price represents a premium of approximately 82.61% over the Audited NAV per Share; (iv) the Offer Price represents a premium of approximately 82.61% over the Unaudited NAV per Share; and (v) the uncertainties of the prospect of the Group's metal sheet products business as analysed in the sub-section headed "1.2. Prospect of the Group" of this letter, we are of the view that the Offer Price of HK\$0.42 per Share is fair and reasonable.

2.2. Historical trading volume of the Shares

Set out in Table 2 below are the average daily statistics of the trading volume of the Shares during the Review Period.

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Table 2: Average daily trading volume during the Review Period

		Average daily trading volumes over the number of issued Share held by the Independent Shareholders as at the Latest Practicable Date	Average daily trading volumes over the total number of issued Shares
	Number of trading days	Average daily trading volumes (Approximate) number of Shares (Note 1)	(Approximate) % (Note 2)
2018			(Approximate) % (Note 3)
December (from 10 December 2018)	14	797,143	0.20
2019			
January	22	1,396,591	0.35
February	17	2,305,294	0.58
March	21	1,833,095	0.46
April	19	8,992,632	2.26
May	21	602,381	0.15
June	19	147,632	0.04
July	22	1,049,318	0.26
August	22	19,851	0.00
September	21	1,905	0.00
October	21	29,524	0.01
November	21	690,714	0.17
December	18	1,305,000	0.33
2020			
January (up to and including the Latest Practicable Date)	13	158,846	0.04

Source: The official website of the Stock Exchange (<https://www.hkex.com.hk/>)

Notes:

1. Computed by dividing the monthly trading volumes of the Shares by the total number of trading days of the respective corresponding months.

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2. Computed by dividing the average daily trading volumes of the Shares by the total issued Share capital of the Company of 398,000,000 Shares held by the Independent Shareholders as at the Latest Practicable Date.
3. Computed by dividing the average daily trading volumes of the Shares by the total issued Share capital of the Company as at the last trading day of the each of the respective months and that as at the Latest Practicable Date for January 2020.

As depicted in Table 2 above, trading liquidity of the Shares was generally thin during the Review Period, with the average daily trading volumes of the Shares having accounted for (i) a range from approximately 0.00% to approximately 2.26 % of the issued Share capital of the Company held by the Independent Shareholders as at the Latest Practicable Date; and (i) a range from approximately 0.00% to approximately 0.90% of the total issued Share capital of the Company as at the end of the respective months.

Given the inactive trading of the Shares, it would be difficult for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. Having taken into account that there is no assurance if the Share price will sustain at a level above the Offer Price during and after the Offer Period, we are of the view that the Independent Shareholders, particularly for those who prefer dispose of the Shares in bulk, may not be able to realise the Shares at a price higher than or close to the Offer Price. Hence, we consider that the Offer provides an exit alternative at the Offer Price for the Independent Shareholders with reasonable pricing and the Offer Price of HK\$0.42 per Share is fair and reasonable.

2.3. Comparable companies

In assessing the fairness and reasonableness of the Offer Price, we have initially attempted to carry out a comparable analysis with reference to the valuation of other comparable companies by using some commonly adopted valuation methods including price-to-earnings ratio and price-to-book ratio.

Taking into account the total revenue of the Group for the year ended 31 December 2018 was mainly accounted for by manufacture and sales of sheet metal products to customers in Singapore, for the purpose of our assessment, we have attempted to identify companies which were, as at the Latest Practicable Date, (i) listed on the Stock Exchange; and (ii) principally engaged in manufacture and sale of similar sheet metal products in Singapore, with annual revenue from such business segment having accounted for more than 50% of the total consolidated revenue during the respective latest financial years (the “**Selection Criteria**”). However, we have, to the best of our knowledge and on a best-effort basis, failed to identify any comparables having met all Selection Criteria.

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RECOMMENDATIONS

Despite the Offer Price represents a discount of 16%, approximately 8.70%, approximately 12.50% and approximately 10.64% to the closing price of the Shares on the Last Trading Day as well as the respective averages of the closing price of the Shares for the five, ten and 30 consecutive trading days immediately prior to the Last Trading Day, respectively, taking into account the above principal factors and reasons as set out in this letter, in particular:

- (i) the significant decrease in both the Group's revenue and profits attributable to owners of the Company (without taking into account of the Listing expenses) for the six months ended 30 June 2019 as compared to those for the preceding corresponding period of approximately 55.94% and approximately 99.81%, respectively;
- (ii) the uncertainties of the prospect of the Group's sheet metal businesses as analysed in the sub-section head "1.2. Prospect of the Group" of this letter;
- (iii) the Offer Price of HK\$0.42 represents merely a slight discount of approximately 4.55% to the closing price of the Shares as at the Latest Practicable Date, considering that closing price of the Shares exhibited a generally decreasing trend throughout the Review Period as well as the recent period after publication of the Joint Announcement;
- (iv) the Offer Price represents a premium of approximately 82.61% over each of the Audited NAV per Share and the Unaudited NAV per Share;
- (v) disposing of a large block of the Shares held by the Independent Shareholders in the open market may potentially exert a downward pressure on the price of the Shares as a result of the generally thin trading volume of the Shares, and the Offer accordingly provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares,

we are of the view that the terms of the Offer including the Offer Price are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Independent Shareholders who wish to realise part or all of their investments in the Shares should closely monitor the market price and liquidity of the Shares during the Offer Period. Those Independent Shareholders who wish to accept the Offer should consider realising all or part of their investments in the market instead of accepting the Offer if the net proceeds from the sale of such Shares in the market exceed the net amount receivable under the Offer. However, those Independent Shareholders who are confident in the future prospect of the Group should consider retaining some or all of their interests in the Shares.

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Independent Shareholders are reminded that their investments in the Shares are subject to their individual circumstances and investment objectives. Independent Shareholders should read carefully the procedures for accepting the Offer as set out in the Composite Document, the appendix to the Composite Document and the accompanying form, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the corporate finance advisory profession.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer, by post or by hand, to the Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked **"FSM Holdings Limited – Offer"** as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked **"FSM Holdings Limited – Offer"** the duly completed and signed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked **"FSM Holdings Limited – Offer"** the duly completed and signed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf in respect of the number of Shares for which you intend to accept the Offer on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form(s) of Acceptance should nevertheless be duly completed, signed and delivered in an envelope marked “**FSM Holdings Limited – Offer**” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed and signed in accordance with the instructions given, should be provided to the Registrar.
- (d) If you have lodged transfer of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form(s) of Acceptance and deliver it in an envelope marked “**FSM Holdings Limited – Offer**” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Bradbury Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct

the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form(s) of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form(s) of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance to the Takeovers Code) and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
 - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Offer and, if that/those share certificate(s) is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form(s) of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty for transfer of Shares registered in the seller's name by the Company through the Registrar arising in connection with acceptance of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form(s) of Acceptance and/or share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form(s) of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form(s) of Acceptance, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Offer, the Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next closing date or, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice by way of announcement will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

3. ANNOUNCEMENTS

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired. Such announcement must state the following:
 - (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and the parties acting in concert with it before the Offer Period;

- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period;
 - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold; and
 - (v) the percentages of the relevant classes of issued share capital of the Company, and the percentages of voting rights, represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments, will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.fsmtech.com).

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed “Announcements” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form(s) of Acceptance for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Independent Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form(s) of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

6. OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes). The Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, Bradbury Securities, Lego, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

7. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert, Bradbury Securities, Lego, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

8. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and their respective ultimate beneficial owners and parties acting in concert with them, Bradbury Securities, Lego, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Bradbury Securities that the Shares tendered under the Offer are sold or tendered by such Independent Shareholder(s) free from all encumbrances and together with all rights and benefits attached thereto, including all rights to any dividends or other distributions, declared, made or paid on or after the date on which the Offer is made.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form(s) of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

- (g) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror and/or Bradbury Securities and/or such person or persons as any of them may direct to complete and execute on behalf of the person(s) accepting the Offer, and to do any other act(s) that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) References to the Offer in this Composite Document and in the Form(s) of the Acceptance shall include any extension and/or revision thereof.
- (j) The English texts of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.
- (k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with it, Bradbury Securities, Lego, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advice.

9. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

- 1.1 Set out below is a summary of the audited consolidated financial results of the Group for each of the financial years ended 31 December 2016, 2017 and 2018, respectively, as extracted from the relevant published financial statements of the Group for the relevant years, and the unaudited consolidated financial results of the Group for the six months ended 30 June 2018 and 2019 as extracted from the published interim report of the Company dated 13 August 2019.

	For the six months ended 30 June 2019 S\$'000 (unaudited)	For the six months ended 30 June 2018 S\$'000 (unaudited)	For the year ended 31 December		
			2018 S\$'000 (audited)	2017 S\$'000 (audited)	2016 S\$'000 (audited)
Revenue	4,970	11,279	19,848	20,791	12,598
Cost of sales	(3,425)	(6,099)	(11,241)	(12,215)	(8,561)
Gross profit	1,545	5,180	8,607	8,576	4,037
Other income	31	18	55	92	115
Other gains/(losses), net	25	136	(38)	(100)	254
Selling and distribution expenses	(50)	(51)	(209)	(244)	(212)
Administrative expenses	(1,615)	(4,928)	(5,473)	(1,823)	(1,530)
Operating (loss)/profit	(64)	355	2,942	6,501	2,664
Finance income	118	–	59	–	1
Finance costs	(30)	(45)	(50)	(39)	(61)
Profit before income tax	24	310	2,951	6,462	2,604
Income tax (expense)	(18)	(467)	(899)	(324)	(360)
Profit/(loss) for the period/year attributable to owners of the Company	6	(157)	2,052	6,138	2,244
Other comprehensive income/(loss)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Currency translation differences	1	1	(20)	15	39
Total comprehensive income/(loss) for the year attributable to owners of the Company	7	(156)	2,032	6,153	2,283

The Company was incorporated in the Cayman Islands with limited liability on 5 February 2018 and its issued shares have been listed on main board of the Stock Exchange since 16 July 2018 (“**Listing**”). No dividend has been paid or declared by the Company since its date of incorporation. Prior to the group reorganisation in connection with the Listing, FSM Technology Pte Ltd and Fine Sheetmetal Technologies Pte Ltd, which are wholly owned subsidiaries of the Company, in aggregate, had declared dividends of approximately S\$6.8 million, during the year ended 31 December 2017.

According to annual report 2018, the basic and diluted earnings per share was approximately S\$0.24 cents and S\$0.82 cents for the years ended 31 December 2018 and 2017 respectively. The basic and diluted earnings per share for the year ended 31 December 2016 is not presented as such information is not available in the Group’s annual report.

According to interim report 2019, the basic and diluted earnings per share was approximately S\$0.0006 cents and S\$0.02 cents for the six months ended 30 June 2019 and 2018 respectively.

The Group did not record any non-controlling interests for each of the years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2019.

The reporting accountant and auditor of the Company for the four years ended 31 December 2018 were PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the combined financial information of the Group for the years ended 31 December 2015, 31 December 2016, 31 December 2017, and the consolidated financial statements of the Group the year ended 31 December 2018, respectively.

Save as disclosed below, there were no items of any income or expense which was material in respect of the consolidated financial results of the Group for each of the financial year ended 31 December 2016, 2017 and 2018:

- (i) During the years ended 31 December 2018, the Group incurred listing expenses of approximately S\$4.2 million, which were primarily professional fees in connection with the listing. The listing took place in July 2018.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer in this Composite Document the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in (i) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019 (the “**2019 Interim Financial Statements**”) and (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”), together with the relevant notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Interim Financial Statements are set out from page 4 to page 23 in the interim Report of the Company for the year ended 30 June 2019 (the “**2019 Interim Report**”) which was published on 13 August 2019. The 2019 Interim Report of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsmtech.com), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0906/ltn20190906347.pdf>

The 2018 Financial Statements are set out from page 57 to page 110 in the annual report of the Company (the “**2018 Annual Report**”) which was published on 15 March 2019. The 2018 Annual Report of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsmtech.com), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0412/ltn20190412446.pdf>

The 2018 Financial Statements and 2019 Interim Financial Statements (but not any other parts of the 2018 Annual Report and 2019 Interim Report, in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

As at 30 November 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had outstanding bank borrowing of approximately S\$0.2 million, hire purchase liabilities of approximately S\$1.6 million in relation to the machinery, and lease liabilities relating to the land use right of approximately S\$0.8 million for the two properties held by the Group in 12 Tuas Link 1 Singapore 638595 and 15 Tuas South Street 1 Singapore 638064, respectively. The outstanding bank borrowing was secured by corporate guarantee provided by the Company, and legal charges of the two properties held by the Group in 12 Tuas Link 1 Singapore 638595 and 15 Tuas South Street 1 Singapore 638064, while the hire purchase liabilities were secured by the machinery.

Save as aforesaid, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities at the close of business on 30 November 2019.

4. MATERIAL CHANGE

The Directors confirm that save for the following matters, there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2018, being the date to which the latest audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

The Company issued a profit warning announcement in respect of its interim results for the six months ended 30 June 2019 on 8 July 2019. On 13 August 2019, the Company issued an interim results announcement for the six months ended 30 June 2019. According to such announcements, the Group recorded a decrease of net profit of approximately S\$3.2 million for the six months ended 30 June 2019 as compared to the same period last year, after excluding non-recurring listing expenses of approximately S\$3.4 million incurred for the six months ended 30 June 2018. According to such announcements, decreases in the Group's net profit and net profit margin for the six months ended 30 June 2019 were mainly due to the decreases in revenue and gross profit margin. The decrease in revenue was mainly due to the decrease in sale of sheet metal products relating to semiconductor manufacturing affected by US-China Trade War and the deteriorated market conditions. The decrease in the gross profit margin was mainly due to the decrease in sales of products relating to semiconductor manufacturing with higher gross profit margin and the increase in manufacturing overheads which mainly include depreciation and other fixed costs.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and fully paid:</i>	
<u>1,000,000,000</u> Shares	<u>10,000,000</u>

All of the existing issued Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting. The Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company.

The Company has not issued any Shares since 31 December 2018, the date to which the latest audited financial statements of the Company were made up.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing Price HK\$
28 June 2019	0.460
31 July 2019	0.400
30 August 2019	0.420
30 September 2019	0.430
31 October 2019	0.405
29 November 2019	0.470
9 December 2019 (being the Last Trading Day)	0.500
31 December 2019	0.460
20 January 2020 (being the Latest Practicable Day)	0.440

During the Relevant Period, the highest and lowest daily closing prices of the Shares as quoted on the Stock Exchange were HK\$0.53 per Share on 7 November 2019, 8 November 2019, 20 November 2019 and 25 November 2019, respectively and HK\$0.39 per Share on 8 October 2019, 9 October 2019, 10 October 2019, 23 October 2019 and 24 October 2019, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code.

(b) Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	Capacity/Name	Total number of Shares and/or underlying Shares interested ^(Note 1)	% in the issued share capital of the Company ^(Note 2)
Luxuriant East Limited ^(Note 3)	Beneficial owner	602,000,000(L)	60.2%
Mr. Li Thet ^(Note 3)	Interest in controlled corporation	602,000,000(L)	60.2%

Notes:

1. The letter "L" denotes the individual's or corporation's long position in the Shares.
2. The percentage has been calculated based on 1,000,000,000 Shares in issue as at the Latest Practicable Date.
3. As at the Latest Practicable Date, the Offeror was interested in 602,000,000 Shares. The Offeror is wholly-owned by Mr. Li Thet and Mr. Li Thet is therefore deemed to be interested in the Shares in which the Offeror is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES

- (a) During the Relevant Period and up to the Latest Practicable Date,
 - (i) save for the sale of the Sale Shares under the Share Purchase Agreement by the Vendors, none of the Directors had dealt for value in, any Shares or any securities, convertible securities, warrants, options, or derivatives in respect of any Shares or securities of the Company; and
 - (ii) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror;
- (b) no relevant securities (as defined in Note 4 to Rules 22 of the Takeovers Code) of the Company were owned or controlled or dealt with by a subsidiary of the Company or by a pension fund of members of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) during the Offer Period and up to the Latest Practicable Date;
- (c) save for the Share Purchase Agreement, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Offer Period and up to the Latest Practicable Date;
- (d) none of the Company nor any Director had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (e) none of the Directors beneficially owned any Shares and accordingly none of them is entitled to the Offer; and
- (f) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Share Purchase Agreement, there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) save for the Share Purchase Agreement, there was no material contract entered into by the Offeror in which any Director had a material personal interests.

7. SERVICE CONTRACTS OF DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which: (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of director	Term of contract	Remuneration
Mr. Toe Tiong Hock	Fixed term of three years from the listing date (16 July 2018 to 15 July 2021)	S\$400,000 per annum
Ms. Wong Yet Lian	Fixed term of three years from the listing date (16 July 2018 to 15 July 2021)	S\$210,000 per annum
Ms. Lim Siew Choo	Fixed term of three years from the listing date (16 July 2018 to 15 July 2021)	S\$24,000 per annum

There is no variable remuneration payable under each of the contacts as mentioned above.

8. MATERIAL CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, the members of the Group had not entered into any material contracts (being a contract not entered into in the ordinary course of business carried or intended to be carried on by any member of the Group) after the date two years before the commencement of the Offer Period, which are or may be material:

- (a) the reorganization agreement dated 13 June 2018 entered into, amongst the Vendors, the Guarantors, FSM Singapore Limited and FSM Malaysia Limited regarding the reorganisation of the Group in relation to the listing of the Company on the Stock Exchange, in consideration of which and with reference to the net asset value of the relevant companies as at 31 December 2017, the Company issued and allotted 6,375,901 Shares and 3,624,101 Shares, credited as fully paid, to the Vendors, respectively;
- (b) the deed of indemnity dated 22 June 2018 given by the Vendors and the Guarantors in favour of the Company regarding certain indemnities, further details of which are disclosed in the prospectus of the Company dated 29 June 2018;
- (c) the deed of non-competition dated 22 June 2018 given by the Vendors and the Guarantors in favour of the Company regarding certain non-competition undertakings, further details of which are disclosed in the prospectus of the Company dated 29 June 2018;
- (d) the public offer underwriting agreement dated 28 June 2018 entered into, amongst others, the Company, the Vendors, the Guarantors, Ms. Lim Siew Choo, Sunfund Capital Limited, Koala Securities Limited, Supreme China Securities Limited, Yellow River Securities Limited and Sunfund Securities Limited, relating to the issue and offer of the Shares, further details of which are disclosed in the prospectus of the Company dated 29 June 2018; and
- (e) the placing underwriting agreement dated 6 July 2018 entered into, amongst others, the Company, the Vendors, the Guarantors, Ms. Lim Siew Choo, Sunfund Capital Limited, Koala Securities Limited, Supreme China Securities Limited and Yellow River Securities Limited, relating to the placing of the Shares, further details of which are disclosed in the prospectus of the Company dated 29 June 2018.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts who have given its letter or advice which is contained in this Composite Document:

Name	Qualification
Lego	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Offer

Lego has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter or advice and references to its name included herein in the form and context in which they respectively appear.

11. GENERAL

- (a) The registered office of the Company is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business in Hong Kong of the Company is Unit B, 17/F., United Centre, 95 Queensway, Hong Kong.
- (c) As at the Latest Practicable Date, the Board comprised Mr. Toe Tiong Hock, Ms. Wong Yet Lian and Ms. Lim Siew Choo as executive Directors, and Mr. Ng Hung Fai Myron, Mr. Bau Siu Fung and Prof. Pong Kam Keung as independent non-executive Directors.
- (d) The company secretary of the Company is Ms. Leung Hoi Yan, who is the authorised representative under Rule 3.05 of the Listing Rules.
- (e) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The registered office of Lego, the Independent Financial Adviser, is at Room 1601, 16/F., China Building, 29 Queen's Road Central, Hong Kong.
- (g) The English texts of this Composite Documents and the Form(s) of Acceptance shall prevail over the Chinese texts, in case of an inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays, and public holidays) at the principal place of business of the Company in Hong Kong at Unit B, 17/F., United Centre, 95 Queensway, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (www.fsmtech.com) during the period from the date of this Composite Document onwards for as long as the Offer remains open for acceptance:

- (a) the amended and restated memorandum of association and articles of association of the Company;
- (b) the prospectus of the Company dated 29 June 2018;
- (c) the annual report of the Company for year ended 31 December 2018;
- (d) the interim report of the Company for the six months ended 30 June 2019;
- (e) the letter from the Board, the text of which is set out on pages 15 to 20 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of this is set out on pages 21 to 22 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 37 of this Composite Document;
- (h) the service contracts referred to in the paragraph headed “Service Contracts of Directors” in this Appendix;
- (i) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix; and
- (j) the letter of consent referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix.

1. RESPONSIBILITY STATEMENT

Mr. Li, the ultimate beneficial owner and sole director of the Offeror, accepts full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Vendors and the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Guarantors and the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. DEALINGS AND INTERESTS IN SECURITIES OF THE COMPANY

As at the Latest Practicable Date, the Offeror and the parties acting in concert with it (including the sole director of the Offeror) are interested in 602,000,000 Shares, representing 60.2% of the total issued shares capital of the Company. The Offeror is ultimately wholly and beneficially owned by Mr. Li, who is also the sole director of the Offeror.

The Offeror confirms that, as at the Latest Practicable Date:

- (a) save for the Sale Shares, none of the Offeror nor any parties acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) save for the Sale Shares, none of the Offeror, its sole director, nor any parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (c) save for the Facilities and the Share Charges, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (d) save for the Facilities and the Share Charges, there is no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or its associates or any parties acting parties in concert with it and any other person;
- (e) save for the Facilities and the Share Charges, no Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities was owned or controlled by a person with whom the Offeror or any person acting in concert with it has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period;

- (f) there is no agreement or arrangement to which the Offeror or any parties acting in concert with it, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (g) none of the Offeror nor any parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) none of the Offeror nor any parties acting in concert with it has received any irrevocable commitment to accept or reject the Offer;
- (i) there is no agreement or arrangement in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, nor any parties acting in concert with it;
- (j) other than the aggregate consideration of HK\$252,840,000 paid to the Vendors for the sale and purchase of the Sale Shares under the Share Purchase Agreement, there is no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Vendors or any party acting in concert with it in connection with the sale and purchase of the Sale Shares under the Share Purchase Agreement;
- (k) there is no understanding, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Vendors and any parties acting in concert with any of them on one hand, and the Offeror or any parties acting in concert with it on the other hand;
- (l) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder; and (ii)(a) the Offeror and any parties acting in concert with it or (ii)(b) the Company, its subsidiaries or associated companies;
- (m) save for the Facilities and the Share Charges, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (n) there was no agreement, arrangement, or understanding (including any compensation arrangement) exists between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer; and
- (o) no benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

3. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
28 June 2019	0.460
31 July 2019	0.400
30 August 2019	0.420
30 September 2019	0.430
31 October 2019	0.405
29 November 2019	0.470
9 December 2019 (the Last Trading Day)	0.500
31 December 2019	0.460
20 January 2020 (the Latest Practicable Date)	0.440

4. EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Akron	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Bradbury Securities	a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Each of the above experts has given and has not withdrawn their written consent to the issue of this Composite Document with the inclusion of its opinions or advice and the references to its name included herein in the form and context in which it appears.

5. MISCELLANEOUS

- (a) the principal members of the Offeror's concert parties are the Offeror and Mr. Li;
- (b) the Offeror, Luxuriant East Limited, which is wholly, ultimately beneficially owned by Mr. Li, who is also the sole director of the Offeror as at the Latest Practicable Date;
- (c) the registered office of the Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of the Offeror and Mr. Li, is 21B, Harbour Commercial Building, 122 Connaught Road Central, Hong Kong;
- (d) the registered office of Akron is 21A, Harbour Commercial Building, 122–124 Connaught Road Central, Hong Kong;
- (e) the registered office of Bradbury Securities is Unit 5106–07, 51/F, The Center, 99 Queen's Road, Central, Hong Kong; and
- (f) the English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts, in case of any inconsistency.

6. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents set forth in paragraph "Documents available for inspection" of Appendix III to this Composite Document, copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit B, 17/F, United Centre, 95 Queensway, Hong Kong; (ii) on the website of the SFC at **www.sfc.hk**; and (iii) on and the Company's website at **www.fsmtech.com** during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from Bradbury Securities, the text of which is set out on pages 7 to 14 of this Composite Document; and
- (c) the letters of consent referred to under the paragraph headed "Experts and consents" in this appendix.