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

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PARAGON UNION BERHAD

PARAGON UNION BERHAD
Registration No. 199401000779 (286457-V)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PART A

PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN METAHUB INDUSTRIES SDN BHD BY PARAGON METAL SDN BHD, A WHOLLY OWNED SUBSIDIARY OF PARAGON UNION BERHAD ("PUB"), FOR A PURCHASE CONSIDERATION OF RM51.00 MILLION, TO BE SATISFIED WHOLLY VIA THE ISSUANCE OF 17,288,136 NEW ORDINARY SHARES IN PUB ("CONSIDERATION SHARES") AT THE ISSUE PRICE OF RM2.95 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF PUB IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

UOB Kay Hian

UOB Kay Hian Securities (M) Sdn Bhd

Registration No. 199001003423 (194990-K)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

MainStreet

MainStreet Advisers Sdn Bhd

Registration No. 200701032292 (790320-P)

(A licensed corporate finance advisory firm)

The Extraordinary General Meeting of PUB ("**EGM**") will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan ("**Broadcast Venue**"), through live streaming and online remote voting using Remote Participation and Voting ("**RPV**") facilities at <https://paragon-egm.digerati.com.my> (Domain registration number D1A119533) provided by Digerati Technologies Sdn Bhd in Malaysia on Wednesday, 30 October 2024 at 3:30 p.m. or at any adjournment thereof. The Notice of EGM together with the Proxy Form are enclosed in this Circular.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be lodged at the office of the Share Registrar of PUB at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time holding the EGM or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Monday, 28 October 2024 at 3:30 p.m.

Date and time of the EGM : Wednesday, 30 October 2024 at 3:30 p.m.

This Circular is dated 15 October 2024

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"AER" or the "Independent Valuer"	:	Asia Equity Research Sdn Bhd (Registration No.: 201401027762 (1103848-M))
"ACSB"	:	AKK Capital Sdn Bhd (Registration No.: 202001034960 (1391281-K))
"Audited Accounts Approval Date"	:	The date on which the audited accounts, prepared and issued by the auditor of PMSB or (at the sole discretion of PMSB) Metahub, which has been approved by the board of directors of Metahub
"Board"	:	The Board of Directors of PUB
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
"Circular"	:	This circular dated 15 October 2024 in relation to the Proposed Acquisition
"Consideration Share(s)"	:	The 17,288,136 new PUB Shares to be issued to satisfy the Purchase Consideration
"Director(s)"	:	The director(s) of PUB and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- (i) a director of PUB, its subsidiaries or holding company; and (ii) a chief executive of PUB, its subsidiaries or holding company
"DOE"	:	Department of Environment Malaysia
"EGM"	:	The forthcoming extraordinary general meeting of PUB
"EPS"/ "(LPS)"	:	Earnings/ (Loss) per share
"Escrow Agent"	:	An escrow agent nominated by PMSB, whom will be authorised to hold the Pledged Consideration Shares on the Vendors' behalf, in the manner as set out in Section 2.4, Part A of this Circular
"EV/EBITDA"	:	Enterprise value/ earnings before interest, taxes, depreciation and amortisation
"FCFE"	:	Free cash flow to equity
"FPE"	:	Financial period ended/ ending
"Future Financials"	:	The future financials forecast of Metahub for 5 financial years from FYE 31 December 2024 to the FYE 31 December 2028
"FYE"	:	Financial year ended/ ending
"Guaranteed Financial Years"	:	The FYE 31 December 2024 and FYE 31 December 2025, being the period in respect of the Profit Guarantee
"IAL"	:	Independent advice letter by the Independent Adviser dated 15 October 2024
"IASB"	:	Incredible Ark Sdn Bhd (Registration No.: 202001042521 (1398842-T))

DEFINITIONS

"Independent Adviser" or "MainStreet"	:	MainStreet Advisers Sdn Bhd (Registration No.: 200701032292 (790320-P))
"Interested Director"	:	Koon Hoi Chun
"Interested Parties"	:	Koon Hoi Chun and ACSB
"Issue Price"	:	The issue price of RM2.95 per Consideration Share
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	1 October 2024, being the latest practicable date prior to this Circular
"LTD"	:	24 May 2024, being the last trading day immediately preceding the date of the SPA
"LTIS"	:	A long-term incentive scheme launched by the Company on 20 April 2023, whereby the maximum number of new PUB Shares to be granted or issued pursuant to the exercise of the LTIS options shall not in aggregate exceed 15% of the total issued Shares at any point in time during the duration of the LTIS
"Major Shareholder"	:	<p>Pursuant to Paragraph 1.01 of the Listing Requirements, a person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is:-</p> <p>(i) 10% or more of the total number of voting shares in the Company; or</p> <p>(ii) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.</p> <p>For the purposes of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act. A Major Shareholder includes any person who is or was within the preceding 6 months of the date on which terms of the transaction were agreed upon, a major shareholder of the Company, or any other corporation which is its subsidiary or holding company</p>
"Metahub"	:	Metahub Industries Sdn Bhd (Registration No.: 200501006347 (683394-A))
"MT"	:	Metric tonne
"NA"	:	Net assets
"PAT"/ "(LAT)"	:	Profit/ (Loss) after taxation
"PBT"/ "(LBT)"	:	Profit/ (Loss) before taxation
"PE"	:	Price-to-earnings
"Pledged Consideration Shares"	:	Approximately 27.45% of the Consideration Shares, which is equivalent to 4,745,763 new PUB shares, representing the aggregate Profit Guarantee of RM14.00 million for the Guaranteed Financial Years, to be held by the Escrow Agent
"PMSB" or the "Purchaser"	:	Paragon Metal Sdn Bhd (Registration No.: 202101017573 (1417873-H))
"Profit Guarantee"	:	The profit guarantee of RM6.00 million for the FYE 31 December 2024 and RM8.00 million for the FYE 31 December 2025, translating to an aggregate audited PBT of RM14.00 million collectively for the Guaranteed Financial Years

DEFINITIONS

"Proposed Acquisition"	:	Proposed acquisition of 51% equity interest in Metahub by PMSB, a wholly owned subsidiary of PUB, for a purchase consideration of RM51.00 million, to be satisfied wholly via the issuance of new PUB Shares
"PUB" or the "Company"	:	Paragon Union Berhad (Registration No.: 199401000779 (286457-V))
"PUB Group" or the "Group"	:	PUB and its subsidiaries
"PUB Share(s)" or "Share(s)"	:	Ordinary shares in PUB
"Purchase Consideration"	:	Purchase consideration of RM51.00 million to be satisfied wholly via the issuance of the Consideration Shares
"Recycling Business"	:	The business of metal recycling, collection, recycling and recovery of liquid and solid industrial waste, treatment of industrial chemicals and chemical related products and provision of recycling management services
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RPT"	:	Related party transaction
"Sale Share(s)"	:	The 510,000 ordinary shares in Metahub in respect of the Proposed Acquisition, representing 51% equity interest in Metahub
"Shortfall"	:	In the event there is a shortfall in the aggregate audited PBT of Metahub to the Profit Guarantee for the Guaranteed Financial Years, the Purchaser may claim a shortfall sum from the Vendors
"SPA"	:	Conditional share sale and purchase agreement dated 27 May 2024 entered into between PMSB, IASB and Ung Yoke Hong in respect of the Proposed Acquisition
"UOBKH" or the "Principal Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No.: 199001003423 (194990-K))
"USD"	:	United States Dollar
"Valuation Certificate"	:	The Independent Fair Valuation Certificate on Metahub by AER, dated 1 April 2024
"Vendors"	:	IASB and Ung Yoke Hong, collectively
"VWAP"	:	Volume weighted average price

All references to **"you"** or **"your(s)"** in this Circular are made to our shareholders, who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting the singular shall, where applicable include the plural and vice versa and words denoting the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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PART A

CIRCULAR TO THE SHAREHOLDERS OF PUB IN RELATION TO THE PROPOSED ACQUISITION

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Acquisition. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposed Acquisition before voting at the EGM.

Key information	Description	Reference to Circular
Details of the Proposed Acquisition	The Proposed Acquisition entails the acquisition of 510,000 Sale Shares in Metahub, representing 51.00% equity interest in Metahub, for a Purchase Consideration of RM51.00 million, to be satisfied wholly via the issuance of 17,288,136 Consideration Shares.	Section 2, Part A
Rationale and justifications for the Proposed Acquisition	<p>The Proposed Acquisition is undertaken in line with the Group's business strategy to expand its business operations in order to improve its financial performance in the future.</p> <p>The Proposed Acquisition may enable the Group to increase the revenue stream of its Recycling Business in addition to its other business segments, which may enhance the overall earnings potential of the Group moving forward.</p>	Section 3, Part A
Risk factors	<p>Pursuant to the Proposed Acquisition, the Group would be exposed to the following risks:-</p> <ol style="list-style-type: none">Risk of not achieving Metahub's profit forecast or the Profit Guarantee;Acquisition risk;Completion risk; andRisks associated with the metal recycling and reprocessing business	Section 5, Part A
Approvals required and inter-conditionality	<p>The Proposed Acquisition is subject to the following approvals being obtained:-</p> <ol style="list-style-type: none">Bursa Securities, for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, the approval of which has been obtained vide Bursa Securities' letter dated 30 September 2024;the Company's shareholders at an EGM of the Company to be convened; andany other relevant authority and/ or party, if required. <p>The Proposed Acquisition is not conditional upon any other proposals undertaken or to be undertaken by the Company.</p>	Section 9, Part A
Interested Parties	Save for the Interested Parties as set out in Section 10, Part A of this Circular, none of the Directors, Major Shareholders, and chief executive of PUB and/ or persons connected to them has any interests, whether direct or indirect, in the Proposed Acquisition.	Section 10, Part A
Board's recommendation	The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.	Section 12, Part A
MainStreet's recommendation	MainStreet is of the opinion that the Proposed Acquisition is fair and reasonable and not detrimental to the non-interested shareholders of PUB. Accordingly, MainStreet recommends that the non-interested shareholders of PUB vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.	Part B



PARAGON UNION BERHAD

PARAGON UNION BERHAD

Registration No. 199401000779 (286457-V)
(Incorporated in Malaysia)

Registered Office

B-21-1, Level 21, Tower B
Northpoint Mid Valley City
No.1, Medan Syed Putra Utara
59200 Kuala Lumpur

15 October 2024

Board of Directors

Koon Hoi Chun (*Executive Chairman*)
Wong Ee-Coln (*Managing Director*)
Tan Vei Teck (*Executive Director*)
Koh Huey Min (*Independent Non-Executive Director*)
Tong Siut Moi (*Independent Non-Executive Director*)
Teo Siang Ly (*Independent Non-Executive Director*)

To: The shareholders of PUB

Dear Sir/ Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 27 May 2024, UOBKH had, on behalf of the Board, announced that PMSB, a wholly owned subsidiary of PUB, had on even date entered into a SPA with IASB and Ung Yoke Hong, for the proposed acquisition of 510,000 ordinary shares in Metahub, representing 51.00% equity interest in Metahub, for a purchase consideration of RM51.00 million, to be satisfied wholly via the issuance of the Consideration Shares at the issue price of RM2.95 per Consideration Share.

Additionally, based on the terms of the SPA, the Vendors have also provided PUB with the Profit Guarantee of RM6.00 million for the FYE 31 December 2024 and RM8.00 million for the FYE 31 December 2025, translating to an aggregate audited PBT of RM14.00 million collectively for the FYE 31 December 2024 and FYE 31 December 2025. Further details of the Profit Guarantee are set out in **Section 2.4, Part A** and **Appendix II** of this Circular.

On 30 September 2024, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 30 September 2024, approved the listing and quotation of 17,288,136 Consideration Shares to be issued pursuant to the Proposed Acquisition, subject to the conditions set out in **Section 9, Part A** of this Circular.

The Proposed Acquisition is deemed as an RPT under Paragraph 10.08 of the Listing Requirements by virtue of the interests of the following:-

- i. Koon Hoi Chun, who is the Executive Chairman and Major Shareholder of PUB (2.31% direct shareholdings and 47.69% indirect shareholdings through his equity interest in ACSB). Koon Hoi Chun is also a major shareholder of Metahub (80.0% indirect shareholdings through his equity interest in IASB); and
- ii. ACSB, which is a Major Shareholder of PUB (47.69% direct shareholdings). ACSB is wholly owned by Koon Hoi Chun, the Executive Chairman and Major Shareholder of PUB.

Further details of the Interested Parties are set out in **Section 10, Part A** of this Circular.

Pursuant thereto, the Board (save for the Interested Director) had on 5 March 2024 appointed MainStreet to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of PUB as to whether the Proposed Acquisition is fair and reasonable so far as the non-interested directors and non-interested shareholders of the Company are concerned, and whether the Proposed Acquisition is to the detriment of the non-interested shareholders of PUB.

Further details on the Proposed Acquisition are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ACQUISITION, AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

PMSB had on 27 May 2024 entered into the SPA with the Vendors to purchase 510,000 Sale Shares in Metahub, representing 51.00% equity interest in Metahub, free from all encumbrances and with all rights, benefits and other entitlements attached to the Sale Shares, for a Purchase Consideration of RM51.00 million, to be satisfied wholly via the issuance of 17,288,136 Consideration Shares. In conjunction with the Proposed Acquisition, based on the terms of the SPA, the Vendors have also provided PUB with the Profit Guarantee of RM6.00 million for the FYE 31 December 2024 and RM8.00 million for the FYE 31 December 2025, translating to an aggregate audited PBT of RM14.00 million collectively for the FYE 31 December 2024 and FYE 31 December 2025. Further details of the Profit Guarantee are set out in **Section 2.4, Part A** and **Appendix II** of this Circular.

The details of the Sale Shares to be acquired by PMSB from each of the Vendors are as follows:-

Vendors	Sale Shares	Equity interest %	Purchase Consideration RM	Consideration Shares No. of Shares
IASB	408,000	40.80	40,800,000	13,830,509
Ung Yoke Hong	102,000	10.20	10,200,000	3,457,627
Total			51,000,000	17,288,136

2.1 Information on Metahub

Metahub was incorporated in Malaysia on 7 March 2005 as a private limited company under the Act. As at the LPD, the issued share capital of Metahub is RM1,000,000 comprising 1,000,000 ordinary shares in Metahub. Further, Metahub does not have any convertible securities as at the LPD.

Metahub is principally involved in the business of recovery and reprocessing of precious metals from production waste & electronic scrap and related activities. Specifically, Metahub derives its revenue from the following activities:-

- i. **Recovery and reprocessing** of the following:-
 - **Metal (i.e. aluminium, copper, tin and nickel)** – Metahub collects electronic scraps from electronic companies and subsequently sorts and processes the waste to recover recycled metals such as aluminium, copper, tin and nickel by smelting the electronic scraps to its melting points in specially dedicated furnaces. The revenue derived by Metahub is based on the quantity of the metals processed in MT, depending on the type of metal processed. Metahub carries out its metal recycling and reprocessing business through its reprocessing plant in Skudai, Johor; and
 - **Wastewater** – Metahub collects and processes production wastewater by treating the wastewater and removing unwanted particles (e.g. polycyclic aromatic hydrocarbons (PAH), particulate matter (PM), etc.). Metahub derives its revenue from its wastewater reprocessing business through charging a fee for each MT of production wastewater collected. Metahub carries out its wastewater reprocessing business through its plant in Skudai, Johor.
- ii. **Trading of scrap waste** – After sorting the electronic scrap collected from its customers, Metahub trades the excess scrap waste which cannot be recycled or reprocessed.

For clarification, Metahub owns its reprocessing facilities and the land on which the facilities are erected on in Skudai, Johor.

The following is a breakdown of Metahub's revenue between its local and international customers:-

	Audited FYE 31 December					
	2021		2022		2023	
	RM	%	RM	%	RM	%
Malaysia	12,641,441	88.92	11,748,764	80.62	6,261,629	68.10
Taiwan	1,575,800	11.08	2,823,483	19.38	2,933,379	31.90
	14,217,241	100.00	14,572,247	100.00	9,195,008	100.00

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As at the LPD, the directors and shareholders of Metahub and their direct shareholdings in Metahub are set out below:-

Name	Designation	Nationality/ Place of incorporation	No. of shares	%
Yee Kwong Yik	Director	Malaysian	-	-
Mah Chin Cheong	Director	Malaysian	-	-
Kenneth Ang Wee Keong	Director	Malaysian	-	-
Koon Hon Hoong	Director	Malaysian		
Ung Yoke Hong	Director/ Shareholder	Malaysian	200,000	20.00
IASB	Shareholder	Malaysia	800,000	80.00

As at the LPD, Metahub does not have any subsidiary, joint venture and/ or associate companies.

Please refer to **Appendix I** of this Circular for further details on Metahub.

2.2 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis between PMSB and the Vendors, after taking into consideration the following:-

- i. The fair value of the entire equity interest in Metahub as appraised by AER, the Independent Valuer for the Proposed Acquisition, vide their Valuation Certificate.

The valuation of the entire equity interest in Metahub was arrived after taking into consideration the Future Financials as provided by the management of Metahub.

Based on the use of the FCFE^{*1} approach, being the valuation methodology considered and selected by AER, the fair value of 100% equity interest in Metahub is approximately RM88.41 million (minimum value) to RM101.04 million (maximum value), based on the Future Financials with an equity discount rate of 11.42%. The equity discount rate is computed based on the required rate of return of PUB determined on 23 March 2024 with an additional premium of 2.50% to accommodate for the volatility and fluctuations in discount rate over time. The basis for the additional premium of 2.50% applied is to mitigate day to day volatility in the movement of risk-free rates and annualised market return, which will affect the value of the equity risk premium, being one of the components in the determination of equity discount rate and deviations of key basis and assumptions in the Future Financials.

Additionally, given that Metahub is a private company with illiquidity risk, AER has included a discount for lack of marketability ("**DLOM**") in its computation for the fair value of Metahub. The DLOM applied is 30% and 20% to the minimum value and maximum value of Metahub, respectively. For clarification, the DLOM applied by AER is based on empirical studies and market precedents for private companies. AER had made reference to an empirical study from 2000 by John Koeplin, "The Private Company Discount", which found evidence of private companies being sold at pricing multiples that are between 20% to 30% lower than the pricing multiples of their public counterparts.

Note:-

^{*1} AER has adopted FCFE as a primary approach to determine the fair value of Metahub on the basis that the FCFE approach accounts for the value of a controlling stake in a company (i.e. the ability to influence and control the financial and operational matters). Further, Metahub's capital structure is substantially funded by equity as opposed to a company funded substantially by debt, which in the case of the latter, the Free Cash Flow to Firm approach would be deemed more appropriate. For information purposes, based on the audited financial statements of Metahub for the FYE 31 December 2023, Metahub has total borrowings of RM0.46 million and net assets of RM26.63 million which translate to a low gearing of 0.02 times. Pursuant thereto, AER has considered the FCFE approach to be appropriate.

Set out below are the following key bases and assumptions adopted by AER in arriving at the fair value of Metahub:-

	Financial metrics	Maximum (%)
1.	Annual expected market return	10.56
2.	Annual risk-free rate	3.85
3.	Equity risk premium	6.71
4.	Levered beta	0.755
5.	Equity risk premium x beta	5.07
6.	Required rate of return	8.92
7.	Specific risk for a private company	2.50
8.	Equity discount rate	11.42

Pursuant thereto, the Purchase Consideration of RM51.00 million for Metahub is within the fair value range of approximately RM45.10 million and RM51.5 million, being 51% of the fair value of Metahub as provided by AER. The Board in considering the Purchase Consideration, has agreed to a price in the higher range of Metahub's fair value as ascribed by AER, after taking into consideration the future plans and growth prospects of Metahub as set out in **Sections 3 and 4.4, Part A** of this Circular. Such growth prospects include Metahub's plans to enhance the reprocessing capacity of its aluminium plant from 200MT a month to 3,000MT a month, and the reprocessing capacity of its wastewater plant from 200MT a month to 2,500MT a month, which will enable Metahub to enhance its annual recycled quantity of aluminium and wastewater and thereby increasing its aluminium and wastewater reprocessing capacity to generate further revenue;

- ii. the relative valuation methodology, which AER has used as the secondary approach to cross-check the results of the FCFE approach, computes the implied PE ratio and EV/EBITDA ratio as derived based on the fair value range as determined using the FCFE and compared against the traded multiples of comparable companies, as shown further in this section. For information purposes, the fair value range for 51% equity interest in Metahub of between RM45.1 million and RM51.5 million translates to an implied forward PE ratio^{*1} of 6.8 times to 7.8 times, and implied forward EV/EBITDA^{*2} of 4.6 times to 5.3 times, based on the Valuation Certificate.

Notes:-

^{*1} Metahub's implied forward PE ratio of 6.8 times and 7.8 times is computed by dividing the minimum and maximum fair value of the entire equity interest in Metahub, (i.e. RM88.41 million and RM101.04 million, respectively), over the projected PAT of Metahub for the FYE 31 December 2025 of RM13.00 million.

^{*2} The implied forward EV/EBITDA ratio of 4.6 times and 5.3 times is computed by dividing the minimum and maximum fair value of the entire equity interest in Metahub (i.e. RM88.41 million and RM101.04 million, respectively), by the projected EBITDA of Metahub for the FYE 31 December 2025 of RM19.12 million.

The Board opines that the PAT and EBITDA projection of RM13.00 million and RM19.12 million for the FYE 31 December 2025, respectively is realistic given the potential increase in Metahub's reprocessing capacity upon obtaining DOE approval. For information purposes, Metahub had in August 2024 received DOE approval to increase its wastewater reprocessing capacity from 200MT a month to 2,500MT a month and expects the increase of its wastewater reprocessing capacity to gradually commence in October 2024. For information purposes, for the FYE 31 December 2023, the wastewater reprocessing business contributed revenue of RM0.82 million while operating at the capacity of 85-100MT a month. The management of Metahub has estimated for the assumed selling price of wastewater to be between RM800/ MT to RM1,000/ MT. Pursuant to discussions with several existing and new customers to increase the quantity of wastewater processed, Metahub anticipates an increase of approximately 1,000-1,300 MT of wastewater processed a month commencing in October 2024, and in the long run to increase further up to the full capacity of 2,500MT a month. With the abovementioned DOE approval, it is anticipated that the future revenue to be generated from the wastewater business will contribute positively to the achievability of the Profit Guarantee and to the future earnings of the Group. This is in addition to the anticipated revenue increase contributed from the increased aluminium reprocessing capacity upon procuring the DOE approval.

The management of Metahub anticipates to receive DOE approval for increased aluminium reprocessing capacity by the 4th quarter of 2024. Based on negotiations with Metahub's existing customers and new potential customers, the management of Metahub estimates for its aluminium reprocessing capacity to increase by 1,000-2,400 MT/month and wastewater reprocessing capacity to increase by 1,000-1,300 MT/month. Further, Metahub's copper reprocessing plant, which is expected to be constructed by the 4th quarter of 2024 will have a maximum reprocessing capacity of 1,560 MT/month. In conjunction with the increase in reprocessing capacity of Metahub's aluminium and copper business, Metahub will obtain more scrap waste from its customers, which will also increase the number of scrap waste that Metahub trades, thereby enhancing the revenue contribution of its trading business.

Based on the management of Metahub's internal projection, the assumed selling price for aluminium, wastewater and copper reprocessing will be within the ranges of RM750-RM950 MT/month, RM800-RM1,000 MT/month and RM900-RM1,100 MT/month, respectively. Further, the management of Metahub does not anticipate significant increase in its cost of sales in conjunction with the increase in capacity as Metahub's current aluminium and wastewater plants have already been upgraded to cater for the increased capacity and DOE requirements. Metahub's copper reprocessing business is not subject to DOE approval. At the bottomline level, based on the guided PAT margin of 13.4% and EBITDA margin of 19.7% estimated by the management of Metahub for its collective business segments in the FYE 31 December 2025 upon the expanded operations with DOE approval, the management's guided PAT and EBITDA projection amount to RM13.00 million and RM19.12 million for the FYE 31 December 2025, respectively.

Please refer to **Section 4.4, Part A** of this Circular for further information and the estimated revenue increase pursuant to the increased capacity;

- iii. the Profit Guarantee of RM6.00 million for the FYE 31 December 2024 and RM8.00 million for the FYE 31 December 2025, translating to an aggregate audited PBT of RM14.00 million collectively for the Guaranteed Financial Years. Further details of the Profit Guarantee and the computation of the shortfall sum are set out in **Section 2.4, Part A** and **Appendix II** of this Circular; and

- iv. the rationale, benefits and future prospects of the Proposed Acquisition, which is undertaken in line with PUB's business strategy to expand its business operations in order to improve its financial performance in the future. Further details on the rationale and benefits of the Proposed Acquisition are set out in **Sections 3 and 4.4, Part A** of this Circular.

For shareholders' information, a general description of the PE and EV/EBITDA multiple methods of valuation is set out as follows:-

Valuation multiple	General description
PE	PE multiple is the measure of the market price of a company's shares relative to its annual net profit per share.

The computation of PE multiple is as follows:-

$$\frac{\text{Market value of common stock (market capitalisation)}}{\text{PAT attributable to shareholders}}$$

EV/EBITDA	EV/EBITDA multiple illustrates the market value of a company's business relative to its historical pre-tax operation cash flow performance, without regard to the company's capital structure, and is computed as follows:-
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$$\frac{\text{EV}^{*1}}{\text{EBITDA}^{*2}}$$

*1 *EV = market value of common stock (market capitalisation) (+) market value of preferred stock (+) market value of debt (+) minority interest (-) cash and cash equivalent*

*2 *EBITDA = recurring earnings from continuing operations (+) interest (+) taxes (+) depreciation (+) amortisation*

The earnings multiples (i.e. PE and EV/EBITDA) are commonly used to estimate the value of a business. The EV/EBITDA multiple is capital structure-neutral and therefore, will not be affected by changes and dissimilarities in capital structure such as different leverage level and borrowing costs, whilst comparing the selected comparable companies with varying market capitalisation. It is also not affected by differences in accounting of depreciation and amortisation, which can be computed at different rates over time. Additionally, the PE multiple indicates the market value of a company's shares relative to the annual earnings recorded by the company.

Please refer to **Appendix IV** of this Circular for further details on Metahub's PE and EV/EBITDA multiple computations.

Further, in selecting the comparable companies, AER used companies listed on the listing exchanges of Malaysia and Singapore, with market capitalisations below RM250.0 million. This was applied as a benchmark for Metahub, which is valued at RM100.0 million, based on the Purchase Consideration for the 51% equity interest in Metahub of RM51.0 million.

Relative Valuation Methodology

Companies	Country of listing	Principal activities	Implied PE Times ²	Implied EV/EBITDA Times ³
JAG Bhd	Malaysia	JAG Bhd is listed on the Main Market of Bursa Securities. It is involved in the recycling and manufacturing activities of extraction, production and refinery of ferrous, non-ferrous and precious metals via the recovery and reclamation of industrial and electronic waste	150.5 ¹	15.9
Tex Cycle Technology (M) Bhd	Malaysia	Tex Cycle Technology (M) Berhad is listed on the ACE market of Bursa Securities. It is involved in scheduled waste management services, sales of recovered and recycled products and chemical trading	15.9	11.0
5E Resources Ltd	Singapore	5E Resources Ltd is listed on the Catalist Board of the Singapore Stock Exchange Securities Trading Limited. It is involved in the provision of waste recovery and recycling services, and rental of recycled products	6.8	3.2
			Low	3.2
			High	15.9
			Simple Average	10.0
			6.8 - 7.8	4.6 – 5.3

Metahub's implied forward multiples (based on the relative valuation methodology as determined by AER)

(Source: Valuation Certificate by AER)

Note:-

¹ AER has deemed the implied PE ratio of JAG Bhd as an outlier and is therefore excluded from comparison with Metahub.

² The implied PE ratios of JAG Bhd, Tex Cycle Technology (M) Bhd and 5E Resources Ltd were computed based on their respective market capitalisations as at 1 April 2024 of RM193.68 million, RM246.45 million and RM145.85 million, divided by their PAT of RM1.29 million, RM15.54 million and RM21.56 million respectively, for the FYE 31 December 2023.

³ The implied EV/EBITDA ratios of JAG Bhd, Tex Cycle Technology (M) Bhd and 5E Resources Ltd, were computed based on their market capitalisations as at 1 April 2024 of RM193.68 million, RM246.45 million and RM145.85 million, aggregated with their short and long term debts of RM63.37 million, RM32.39 million and RM12.69 million, reduced by their cash balances of RM5.79 million, RM7.14 million and RM62.45 million, and then divided by their EBITDA of RM15.82 million, RM24.80 million and RM30.01 million respectively, for the FYE 31 December 2023.

Based on the Valuation Certificate, the Board takes cognisance that the fair value range for 51% equity interest in Metahub of between RM45.1 million and RM51.5 million translates to:-

- i. an implied forward PE ratio of 6.8 times to 7.8 times, which is within the range of comparable companies of 6.8 times to 15.9 times and below the simple average of 11.4 times; and
- ii. an implied forward EV/EBITDA of 4.6 times to 5.3 times, which is within the range of comparable companies of 3.2 times to 15.9 times and below the simple average of 10.0 times.

Premised on the foregoing, the Board has deemed the Purchase Consideration reasonable based on the above valuation statistics of the comparable companies as well as the rationale for the Proposed Acquisition as set out in **Section 3, Part A** of this Circular.

2.3 Basis and justification of arriving at the Issue Price of the Consideration Shares

In accordance with the terms of the SPA, the Issue Price was agreed upon between PUB, PMSB and the Vendors on a willing-buyer willing-seller basis, based on a discount of approximately 7.07% to the 5-day VWAP of PUB Shares up to and including the LTD, being RM3.1743 per PUB Share.

The Issue Price of RM2.95 per Consideration Share represents discounts to the following VWAPs:-

	Share price RM	(Discount)	
		RM	%
Last transacted price as at the LTD	3.1500	(0.2000)	(6.35)
5-day VWAP up to and including LTD	3.1743	(0.2243)	(7.07)
1-month VWAP up to and including LTD	3.3763	(0.4263)	(12.63)
3-month VWAP up to and including LTD	3.5726	(0.6226)	(17.43)
6-month VWAP up to and including LTD	3.3536	(0.4036)	(12.03)
12-month VWAP up to and including LTD	3.1200	(0.1700)	(5.45)

(Source: Bloomberg)

Based on the above, the Issue Price of the Consideration Shares represents a discount ranging from approximately 5.45% - 17.43% to the 5-day, 1-month, 3-month, 6-month and 12-month VWAPs of PUB Shares.

The Board is of the view that the Issue Price of the Consideration Shares is justifiable after taking cognisance of the following:-

- i. the abovementioned Issue Price equates to an implied PE ratio of approximately 27.04 times, based on the Issue Price of RM2.95 per Consideration Share over the audited basic EPS for PUB as at FYE 31 December 2023 of 10.91 sen. This is higher than the implied PE ratio of 6.8 times to 7.8 times of the Purchase Consideration for Metahub based on the fair value range for 51% equity interest in Metahub of between RM45.1 million and RM51.5 million, as outlined in **Section 2.2, Part A** of this Circular. Further, the implied PE ratio of the Issue Price is higher than the Group's NA per share of RM1.28 as at the FYE 31 December 2023. This enables PUB to issue the Consideration Shares at a premium and higher valuation compared to the EPS or NA per share of PUB Shares;
- ii. the settlement of the Purchase Consideration via the Consideration Shares enables PUB to enhance its assets base without any immediate impact on the cash position of the Group as opposed to a full cash settlement. This enables the Group to conserve its cash position which can be channelled towards financing day-to-day operations and/ or pursue other business opportunities, where required; and
- iii. the Consideration Shares are subject to market risk of PUB Shares to be assumed by the Vendors, which is influenced by factors including market sentiment, liquidity of PUB Shares as well as volatility of the general equity market.

2.4 Profit Guarantee

In conjunction with the Proposed Acquisition, based on the terms of the SPA, the Vendors have also provided PUB with the Profit Guarantee of RM6.00 million for the FYE 31 December 2024 and RM8.00 million for the FYE 31 December 2025, translating to an aggregate audited PBT of RM14.00 million collectively for the FYE 31 December 2024 and FYE 31 December 2025. For information purposes, the Vendors and PUB have agreed on the Profit Guarantee to be based on the audited PBT of Metahub for the following reasons:-

- i. PBT is more reflective of the financial performance of Metahub's business operations by excluding any variable effects relating to potential taxation considerations (such as temporary timing difference in tax accruals estimated by the management as compared to other tax variables such as capital allowance), as opposed to PAT. Through using PBT, the achievability of the Profit Guarantee will be based solely on the operational results of Metahub, and will exclude any potential taxation considerations that may impact the achievability of the Profit Guarantee; and
- ii. The Vendors and PUB opine that PBT is a more predictable measure for Profit Guarantee. Moving forward, the Vendors and PUB are able to assess the achievability of the Profit Guarantee on a monthly basis based on the internal management accounts of Metahub, which provides a more consistent measure of profitability across the relevant FYE.

Based on the terms of the SPA, PUB and the Vendors agree that approximately 27.45% of the Consideration Shares, representing the aggregate Profit Guarantee of RM14.00 million for the Guaranteed Financial Years, shall be held by an Escrow Agent nominated by PMSB. The Escrow Agent will be authorised to hold the Pledged Consideration Shares on the Vendors' behalf, to be released to the Vendors upon Metahub achieving the Profit Guarantee for the Guaranteed Financial Years, in the manner as set out in **Section 2.5, Part A** of this Circular.

For information purposes, in the event Metahub does not meet the Profit Guarantee of RM6.00 million for the FYE 31 December 2024, the Escrow Agent may release the relevant amount of Pledged Consideration Shares to the Vendors which equals the value of PBT recorded by Metahub for the FYE 31 December 2024. The remaining Pledged Consideration Shares shall remain with the Escrow Agent, to be released if the aggregate Profit Guarantee of RM14.00 million is met in the FYE 31 December 2025 ("**Aggregate Guaranteed Profit**").

In the event there is a shortfall in the aggregate audited PBT of Metahub to the Profit Guarantee for the Guaranteed Financial Years ("**Actual Aggregate PBT**"), the Purchaser may claim a Shortfall sum from the Vendors, to be calculated in the following manner:-

Shortfall = (Aggregate Guaranteed Profit - Actual Aggregate PBT) x 51%

The Shortfall will be capped at the maximum sum of RM14.00 million and will not take into account any loss that goes beyond the Actual Aggregate PBT of Metahub computed for the Guaranteed Financial Years. Should the Vendors fail to pay to PMSB the Shortfall within 30 days from the Audited Accounts Approval Date for the FYE 31 December 2025, PMSB may instruct the Escrow Agent to sell the remaining Pledged Consideration Shares and utilise all or any moneys arising therefrom to recover the amount of Shortfall that remains unpaid to PMSB. The sale of the Pledged Consideration Shares by the Escrow Agent may be conducted in any manner so instructed by PMSB including, but not limited to, sale in the open market on Bursa Securities or by way of private placement(s).

Any loss in value upon sale of the Pledged Consideration Shares to the amount of Shortfall shall be paid by the Vendors to PMSB, as outlined in the terms of the SPA. In the event the Vendors fail to pay the sum of loss in value from the sale of the Pledged Consideration Shares, the Purchaser will be entitled to legal remedies such as specific performance and/ or claim of damages from the Vendors. Further information on the legal recourse available to PUB in the event the Shortfall sum is not made are set out in **Sections 4.7, 6 and 8.1 of Appendix II** of this Circular.

In the event there is any surplus from the difference between the proceeds arising from the sale of the Pledged Consideration Shares and the Shortfall sum that remains unpaid to PMSB, PMSB is entitled instruct the Escrow Agent to retain the surplus and utilise all or any such moneys to satisfy the commissions and costs incurred for the sale of the Pledged Consideration Shares, as it deems appropriate.

Through the Profit Guarantee, the Group may benefit from the targeted PBT of a minimum of RM6.00 million and RM8.00 million for the FYE 31 December 2024 and FYE 31 December 2025, respectively. This may enable the Group to enhance its asset base and earnings base through the consolidation of Metahub's results moving forward.

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Purely for illustrative purposes, set out below are several permutations of performance obligations between PUB, the Vendors and the Escrow Agent assuming the following scenarios take place during the Profit Guarantee period:-

- Scenario I : Metahub does not achieve a PBT position for the FYE 31 December 2024 and FYE 31 December 2025, and hence is unable to meet the Profit Guarantee due to a Shortfall in PBT for both years 1 and 2
- Scenario II : Metahub achieves a PBT of RM3.00 million for the FYE 31 December 2024 and a PBT of RM4.00 million for the FYE 31 December 2025, and hence is unable to meet the Profit Guarantee due to a Shortfall in PBT in both years 1 and 2
- Scenario III : Metahub achieves a PBT of RM6.00 million for the FYE 31 December 2024 and a PBT of RM8.00 million for the FYE 31 December 2025
- Scenario IV : Metahub achieves a PBT of RM8.00 million for the FYE 31 December 2024 and a PBT of RM8.00 million for the FYE 31 December 2025

FYE	Scenario I	Scenario II	Scenario III	Scenario IV
31 December 2024	Missed PBT of RM6.00 million for year 1 No Pledged Consideration Shares released	Missed PBT of RM3.00 million for year 1 Pledged Consideration Shares worth RM3.00 million released to the Vendors	No Shortfall, PBT of RM6.00 million in year 1 Pledged Consideration Shares worth RM6.00 million released to the Vendors	No Shortfall, PBT of RM8.00 million in year 1 Pledged Consideration Shares worth RM6.00 million only to be released to the Vendors
31 December 2025	Missed PBT of RM14.00 million for years 1 and 2 cumulatively No Pledged Consideration Shares released and the Vendors will pay the Shortfall sum ^{*1} of RM7.14 million to PMSB, failing which the Escrow Agent will sell the Pledged Consideration Shares and utilise all or any moneys arising therefrom to recover the amount payable to satisfy the Shortfall sum ^{*1} to PMSB. The Shortfall will be capped at the maximum sum of RM14.00 million	Missed PBT of RM7.00 million for years 1 and 2 cumulatively Pledged Consideration Shares worth RM4.00 million released to the Vendors. Vendors to pay Shortfall sum ^{*1} of RM3.57 million to PMSB, failing which the Escrow Agent will sell the remaining Pledged Consideration Shares and utilise all or any moneys arising therefrom to recover the amount payable to satisfy the Shortfall sum ^{*1} to PMSB	No Shortfall, PBT of RM14.00 million in years 1 and 2 cumulatively Remaining Pledged Consideration Shares worth RM8.00 million released to the Vendors	No Shortfall, PBT of RM16.00 million in years 1 and 2 cumulatively Remaining Pledged Consideration Shares worth RM8.00 million released to the Vendors. Surplus in PBT exceeding RM14.00 million for the Guaranteed Financial Years will not result in additional payment or new PUB Shares to the Vendors

Note:-

^{*1} For the avoidance of doubt, the Shortfall sum will be calculated in the following manner:-

$$\text{Shortfall} = (\text{Aggregate Guaranteed Profit} - \text{Actual Aggregate PBT}) \times 51\%$$

2.5 Mode of settlement

Pursuant to the terms of the SPA for the Proposed Acquisition, the Purchase Consideration shall be satisfied wholly via the issuance of 17,288,136 Consideration Shares, to be issued by PUB in the following manner:-

Terms	No. of Consideration Shares	RM	%
Payable to the Vendors within thirty (30) days from the unconditional date of the SPA or such other date as the parties to the SPA may mutually agree upon in writing	12,542,373	37,000,000	Approximately 72.55
Escrow Agent to release up to RM6.00 million in value of the Pledged Consideration Shares to the Vendors based on the PBT achieved by Metahub for the FYE 31 December 2024. In the event Metahub's PBT does not meet the profit guarantee of RM6.00 million, the Escrow Agent will release the number of Pledged Consideration Shares equaling the value of PBT met, while the remaining Pledged Consideration Shares are to be issued based on Metahub achieving the aggregate Profit Guarantee in the FYE 31 December 2025	up to 2,033,898 ^{*1}	Up to 6,000,000	Up to approximately 11.76
Escrow Agent to release the remaining Pledged Consideration Shares to the Vendors, upon Metahub achieving the aggregate Profit Guarantee of RM14.00 million	up to 4,745,763 ^{*1}	Up to 14,000,000	Up to approximately 27.45
	17,288,136	51,000,000	100.00

Note:-

^{*1} The Escrow Agent may release the Pledged Consideration Shares to the Vendors based on the audited PBT achieved by Metahub for the Guaranteed Financial Years in the manner as set out in **Section 2.4, Part A** of this Circular. The number of Pledged Consideration Shares to be released is computed as follows:-

$$\frac{\text{PBT achieved for the Guaranteed Financial Year}}{\text{Issue Price}} = \text{Number of Consideration Shares}$$

As stated in **Section 2.4, Part A** of this Circular, PUB and the Vendors agree that approximately 27.45% of the Consideration Shares, representing the aggregate Profit Guarantee of RM14.00 million for the Guaranteed Financial Years, shall be held by an Escrow Agent, to be released to the Vendors upon Metahub achieving the Profit Guarantee for the Guaranteed Financial Years.

In the event Metahub does not meet the Profit Guarantee of RM6.00 million for the FYE 31 December 2024, the Escrow Agent may release the relevant amount of Pledged Consideration Shares to the Vendors which equals the value of PBT recorded by Metahub for the FYE 31 December 2024. The remaining Pledged Consideration Shares shall remain with the Escrow Agent, to be released at the end of the FYE 31 December 2025 if the aggregate Profit Guarantee of RM14.00 million is met in the FYE 31 December 2025, or to be released to the Vendors proportionately upon receipt of a notice in writing issued by PMSB confirming that the Vendors have fully paid and settled the Shortfall to PMSB.

2.6 Source of funds

Pursuant to the terms of the SPA, the Purchase Consideration amounting to RM51.00 million shall be satisfied wholly through the issuance of the Consideration Shares at the Issue Price.

2.7 Liabilities to be assumed

Save for the obligations and liabilities in and arising from **Section 3.1 of Appendix II** of this Circular, pursuant to or in connection with the SPA, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by PUB arising from the Proposed Acquisition.

For information purposes, Metahub has cash and cash equivalents of RM3.62 million, total borrowings of RM0.46 million, and net assets of RM26.64 million as at FYE 31 December 2023, translating to a gearing ratio of 0.02 times.

2.8 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by PUB to put the business of Metahub on-stream as Metahub is an ongoing business entity with existing operations. For information purposes, Metahub has maintained a net cash position for the FYE 31 December 2021, 2022 and 2023.

For further clarification, Metahub had completed the construction and upgrade of its aluminium and wastewater reprocessing plants in January 2024 to be in compliance with the DOE's standards and to cater to the increased reprocessing capacity of 3000MT/ month for its aluminium plant and 2500MT/ month for its wastewater plant, subject to the DOE's approval. For clarification, the DOE approval for the increase in wastewater capacity has been obtained in August 2024 to process 2500MT of wastewater a month, and the management of Metahub anticipates for the DOE approval for increased capacity for aluminium to be obtained in the 4th quarter of 2024. Pursuant thereto, Metahub will not require additional financial commitments for its operations upon obtaining DOE approval.

For Metahub's copper reprocessing plant, the plant has completed structural work and the machinery required for copper reprocessing have been installed. The management of Metahub estimates to spend RM0.40 million of internally generated funds for the completion of the copper reprocessing plant, to be utilised for shipment charges, manpower, construction equipment rental and testing and commissioning expenses.

2.9 Background information on the Vendors

Incredible Ark Sdn Bhd (IASB)

IASB was incorporated in Malaysia on 22 December 2020 under the Act as a private limited company. IASB's registered office is located at PS-2A, Taman Evergreen, Batu 4, Jalan Kelang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan. IASB's principal activity is investment holding.

As at the LPD, the directors and shareholders of IASB and their direct shareholdings in IASB are set out below:-

Name	Designation	Nationality	No. of shares	%
Koon Hoi Chun	Director/ Shareholder	Malaysian	24,150,000	50.00
Koon Hon Hoong	Director/ Shareholder	Malaysian	24,150,000	50.00

As at the LPD, IASB's only subsidiary is Metahub, and IASB does not have any joint venture and/ or associate companies.

Ung Yoke Hong

Ung Yoke Hong, a Malaysian male aged 56. Ung Yoke Hong commenced his business of trading non-ferrous metals and electronic parts after completing his secondary education. In 2005, he acquired Excelbond Recycling Industries Sdn Bhd, a waste management company. In the same year, Ung Yoke Hong established Metahub to undertake the business of waste management.

Following this, Ung Yoke Hong through Excelbond Recycling Industries Sdn Bhd and Metahub grew his businesses by providing professional advice and consulting to customers involved in schedule waste management. In his capacity as a director of Metahub, Ung Yoke Hong oversees the corporate and business strategies in Metahub, specifically in areas such as sales & marketing, and technical support.

2.10 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank pari passu in all respects with each other and with the existing Shares, save and except that the Consideration Shares shall not be entitled to participate in any dividends, rights, allotment and/ or other distributions which are declared, made or paid to the shareholders of the Company where the entitlement date for the said distributions precedes the date of allotment and issuance of the Consideration Shares.

2.11 Listing and quotation of the Consideration Shares

Bursa Securities had, vide its letter dated 30 September 2024, granted its approval for the listing and quotation of 17,288,136 Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, subject to the conditions as set out in **Section 9, Part A** of this Circular.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is undertaken in line with the Group's business strategy to expand its business operations in order to improve its financial performance in the future. Presently, the Group operates through the following business segments:-

- i. manufacturing and trading in car carpets and automotive components;
- ii. manufacturing and sale of commercial carpets; and
- iii. recycling and reprocessing of metals.

For information purposes, on 6 January 2023, the Group had obtained shareholders' approval to diversify its principal activities to include the Recycling Business. The segmental breakdown of the Group's revenue and PAT/ (LAT) contribution from the aforementioned business segments for the past 3 FYE up to the FYE 31 December 2023 are as follows:-

Operating Segment	Audited revenue for the FYE 31 December					
	2021 RM	%	2022 RM	%	2023 RM	%
Automotive components and car carpets	33,994,236	84.05	50,809,717	83.36	47,549,728	51.87
Commercial carpets	6,450,955	15.95	10,146,023	16.64	11,618,629	12.68
Recycling Business	-	-	-	-	32,499,182	35.45
	40,445,191	100.00	60,955,740	100.00	91,667,539	100.00

	Audited PAT/ (LAT) for the FYE 31 December		
	2021	2022	2023
	RM	RM	RM
Automotive components and car carpets	(7,599,143)	(1,131,964)	10,631,487
Commercial carpets	(5,168,911)	(3,252,339)	(420,185)
Recycling Business	(248,005)	(497,569)	396,294

As shown above, the Group derives the majority of its revenue from its business of manufacturing and trading in car carpets and automotive components, recording a revenue contribution of 84.05%, 83.36% and 51.87% for the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, respectively. In view of this, the Board proposes to undertake the Proposed Acquisition to enable the Group to increase the revenue stream of its Recycling Business in addition to its other business segments, which may enhance the overall earnings potential of the Group moving forward.

On 22 January 2021, ACSB (wholly-owned by Koon Hoi Chun, the present Executive Chairman and Major Shareholder of PUB) had entered into unconditional share sale agreements with Asia Avenue Sdn Bhd, Tan Choon Hock, Kong Say Thor, Lee Poh Ting and Lee Poh Yee, collectively, to acquire 39,979,794 PUB Shares, representing approximately 60.41% of the equity interest in PUB) for a total cash consideration of RM21.99 million or RM0.55 per PUB Share. The aforesaid acquisition was completed on 25 January 2021 and ACSB launched an unconditional mandatory take-over offer pursuant to Paragraph 4.01 of the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia, for all the remaining PUB Shares not owned by ACSB and Koon Hoi Chun at the offer price of RM0.55 per PUB Share ("**2021 Takeover**"). The take-over offer closed on 8 March 2021 and the resultant shareholdings of ACSB and Koon Hoi Chun was approximately 57.82% (diluted as a result of PUB granting 2,969,360 treasury shares to eligible executives pursuant to an employee share scheme at the time).

Pursuant to the 2021 Takeover, Koon Hoi Chun assumed control of PUB as its Executive Chairman and Major Shareholder. For information purposes, Koon Hoi Chun possess extensive experience and expertise in the business of sales, management and recycling of industrial waste business through his past employment and companies that he owns (e.g. KYH Trading Sdn Bhd and Technovate Holdings Sdn Bhd, etc.). In 2001, Koon Hoi Chun joined Press Metal UK Ltd, where he managed the operations of sales of aluminium scaffolding and ladders throughout the United Kingdom. Subsequently in 2015, he established KYH Trading Sdn Bhd, a company focusing on collecting, sorting and cleaning of industrial waste and metal scraps, namely aluminium and copper, and exporting to international markets. Following this, in 2021, Koon Hoi Chun ventured into the business of reprocessing industrial waste and metal scraps into ingots through Technovate Holdings Sdn Bhd, where he is the Managing Director and substantial shareholder.

Through Koon Hoi Chun's management of PUB, the Group had completed the diversification into the Recycling Business and through PMSB, had ventured into the business of trading of recycled products, which involves the purchase of metal scrap materials, outsourcing it to third parties for sorting and treatment, and the subsequent sale of these semi-finished materials to local smelter plants. The Group's Recycling Business subsequently recorded revenue of RM32.50 million and PAT of RM0.40 million for the FYE 31 December 2023. Through the Proposed Acquisition, the Group (through Metahub) will have the opportunity to move upstream in the Recycling Business, where Metahub may facilitate the sorting and reprocessing of the metal in-house for PMSB to subsequently trade, rather than outsourcing the sorting and reprocessing process to third parties, which may potentially reduce the Group's operating costs and improve its margins and overall financial performance.

As stated in **Section 2.1, Part A** of this Circular, Metahub is involved in the business of recovery and reprocessing of precious metals (i.e. aluminium, copper, tin and nickel) from production wastes, the collection and reprocessing of production wastewater and the trading of excess scrap waste. Specifically, Metahub is able to generate revenue from the collection of the precious metals/ wastewater by charging a fee per MT upon collection and upon reprocessing. Through the Proposed Acquisition, the enlarged Group may leverage on the expertise of Koon Hoi Chun and the infrastructure of PMSB and Metahub to create synergistic benefits such as an increased customer base from the enlarged Group and the sharing of workforce and production facilities to minimise costs and improve gross margins.

Further, the Board takes cognisance of Metahub's future expansion plans to increase its reprocessing capacity by obtaining the approval of the DOE. In January 2024, Metahub had completed the construction of its aluminium reprocessing plant as well as the upgrade of its wastewater reprocessing plant, both in Skudai, Johor. Metahub has constructed and upgraded the aforementioned plants to be in compliance with the DOE's standards on recycling and reprocessing of waste facilities, and to obtain the DOE's approval to further enhance its reprocessing capacity moving forward. Subsequently in August 2024, Metahub had obtained DOE approval to increase its wastewater reprocessing capacity from 200MT a month to 2,500MT a month and anticipates to operate with its increased capacity gradually from October 2024, subject to negotiations with existing and potential customers. For information purposes, for the FYE 31 December 2023, the wastewater reprocessing business contributed revenue of RM0.82 million while operating at the capacity of 85-100MT a month. The management of Metahub has estimated for the assumed selling price of wastewater to be between RM800/ MT to RM1,000/ MT. Pursuant to discussions with several existing and new customers to increase the quantity of wastewater processed, Metahub anticipates an increase of approximately 1,000-1,300 MT of wastewater processed a month commencing in October 2024, and in the long run to increase further up to the full capacity of 2,500MT a month. With the abovementioned DOE approval, it is anticipated that the future revenue to be generated from the wastewater business will contribute positively to the achievability of the Profit Guarantee and to the future earnings of the Group. This is in addition to the anticipated revenue increase contributed from the increased aluminium reprocessing capacity upon procuring the DOE approval.

The management of Metahub anticipates to receive DOE approval for the increase in its aluminium reprocessing capacity in the 4th quarter of 2024, which may allow Metahub to increase the reprocessing capacity of its aluminium plant from 200MT a month to 3,000MT a month. Further details of the increased reprocessing capacity are set out in **Section 4.4, Part A** of this Circular. The aforementioned capacity increase will enable Metahub to enhance its annual recycled quantity of aluminium and wastewater and thereby increasing its aluminium and wastewater reprocessing capacity to generate further revenue, as shown in the Valuation Certificate by AER in **Appendix IV** of this Circular. Additionally, the management of Metahub is in the process of constructing its copper reprocessing plant in Skudai, Johor which Metahub envisions to be completed by the 4th quarter of 2024.

Further, the Board also takes cognisance of the following factors in undertaking the Proposed Acquisition:-

- i. the Proposed Acquisition involves the Profit Guarantee provided by the Vendors to PUB. As such, the Group will benefit from the targeted PBT of a minimum of RM6.00 million and RM8.00 million for the FYE 31 December 2024 and FYE 31 December 2025, respectively. This may enable the Group to enhance its asset base and earnings base through the consolidation of Metahub's results moving forward. The Board has taken cognisance of Metahub's future plans to increase its reprocessing capacity through obtaining the DOE's approval, and the Valuation Certificate by AER, and opine that the Profit Guarantee is achievable given the potential increased reprocessing capacity of Metahub;

the Board has also taken cognisance of the future prospects of Metahub as outlined in **Section 4.4, Part A** of this Circular and the Valuation Certificate by AER, and is of the opinion that the Profit Guarantee is achievable and that the Group may stand to benefit from the guaranteed earnings, which may enhance the Group's asset and earnings base through the consolidation of Metahub's results moving forward; and

- ii. the Purchase Consideration is intended to be settled via the issuance of Consideration Shares, further details of which have been set out in **Section 2.3, Part A** of this Circular. This will also enable the Group to acquire Metahub and enhance its asset base without any immediate impact on the cash position of the Group as opposed to a full cash settlement of the Purchase Consideration.

Barring any unforeseen circumstances and based on the above, the Proposed Acquisition is expected to contribute positively to the Group's future revenue and earnings potential.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF THE ENLARGED GROUP

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy is projected to grow between 4%–5% in 2024, driven by continued expansion in domestic demand, and improvement in external demand. Growth will be driven mainly by resilient domestic expenditure, with additional support emanating from the expected recovery in exports. Continued employment and wage growth will remain supportive of household spending. Tourist arrivals and spending are expected to improve further. Investment activity would be driven by continued progress of multi-year projects in both the private and public sectors, with some support from implementation of catalytic initiatives under the national master plans.

Trade activity is expected to recover gradually in tandem with a rebound in global trade. Gross exports are expected to expand (2024f: 5%; 2023: -8%), driven by the recovery in global trade and the technology upcycle, supporting electrical and electronics ("E&E") and non-E&E exports, as well as higher commodity prices underpinning commodity exports. Gross imports, which contracted in 2023, are also projected to increase. This is attributable mainly to higher intermediate imports and stronger domestic demand for consumption goods, alongside continued expansion in imports of capital goods in tandem with investment growth.

Domestic demand is expected to remain the main driver of growth. Household spending is projected to expand at a faster pace (2024f: 5.7%; 2023: 4.7%) supported by improving labour market conditions amid higher income growth and targeted Government assistance. These will partly cushion the impact of higher cost of living, the implementation of low-value goods (LVG) tax, and increase in sales and services tax (SST) on household spending.

Improving labour market conditions will continue to provide support to household spending. Employment will continue to expand, with growth trending closer to its historical average, supported by sustained demand for workers amid the ongoing recovery in tourism-related sectors and external trade activity. Coupled with continued expansion in labour force, the unemployment rate is expected to stabilise around its historical average of 3.3%.

(Source: Economic and Monetary Review 2023, Bank Negara Malaysia)

The Malaysian economy advanced by 5.9% in the 2nd quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in electrical and electronics (E&E). The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

Growth in the second half of 2024 will be driven by domestic spending with continued strong support from external demand. On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2024, Bank Negara Malaysia)

4.2 Overview and outlook of the recycling industry

Waste management is one of the environmental pain points affecting every country worldwide. According to the World Bank's "What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050" report, waste generation across the world is expected to grow roughly by 3.4 billion tonnes per year by 2050.

The amount of waste generated is directly determined by economic activity, consumption and population growth. Unfortunately, the economic development and rising living standards in Malaysia have led to the increase in the quantity and complexity of generated waste. Moreover, industrial diversification and the provision of expanded healthcare facilities have added substantial quantities of industrial hazardous waste and biomedical waste into the waste stream.

As Malaysia moves towards zero-waste, the Government is actively playing a pivotal role in strengthening waste management and transforming environmental governance to enable better management of the environment and natural resources, including reducing its economic impacts. These initiatives have been highlighted in the Twelfth Malaysia Plan, 2021 – 2025 ("**12MP**") as part of Malaysia's commitment to achieving a net-zero carbon emission country by 2050. Under 12MP, the Government has set out to achieve a national recycling rate of 40% by 2025.

The 12MP also highlights the importance of establishing a circular economy where businesses are encouraged to adopt this concept in the design, production, logistics, consumption and waste management of their products and services. To accelerate the transition of solid waste management from a linear economy to a circular economy, Malaysia is banking on Waste to Energy ("**WTE**") solutions. The Ministry of Housing and Local Government is planning to establish six WTE plants across Malaysia by 2025. WTE solutions are now recognised as a preferred waste treatment option for residual waste and a sustainable waste management approach in the country. Additionally, the establishment of waste eco-parks, development of waste management technologies and closure of all open landfills are encouraged to achieve Malaysia's commitment to become a net-zero carbon emission country by 2050.

The Malaysian Investment Development Authority ("**MIDA**") has been promoting environmental management through recycling since the 1980s as well as green technology projects and services since 2014. The facilitation offered by the Government include Investment Tax Allowance for companies that intend to undertake WTE projects and integrated waste management projects. MIDA also continues to intensify its efforts to assist both local and foreign investors by formulating policies, incentives and providing facilities as well as support services for the green technology industry towards further strengthening Malaysia's green ecosystem, building climate resilience and achieving global sustainable development goals.

(Source: The Preferred Approach for Waste Management in Malaysia, MIDA)

4.3 Overview and outlook of the metal recycling industry

The global metal recycling market size is expected to cross USD143 billion by the end of 2036, growing at a compound annual growth rate ("CAGR") of 6% during the forecast period, 2024-2036. In the year 2023, the industry size of metal recycling was over USD70 billion. The market is expected to increase due to the increasing need for metals in various applications and the increasing scarcity of rare earth metals. According to calculations, in the next five years, over 70% of respondents in the automotive sector will see a shortage of metal. Conversely, the chemical and infrastructure sectors will see shortages of roughly 77% and 81%, respectively.

In addition to this, reprocessing of metal waste has been more popular over the past 20 years due to decreased greenhouse gas emissions and efficient energy management, both of which are significant factors anticipated to propel market expansion in the near future. For instance, the net greenhouse gas emissions from human activities increased by 43% between 1990 and 2020. Emissions of carbon dioxide, which account for about three-fourths of all emissions, increased by 51% during that period.

The market is anticipated to expand as a result of the increase in construction activities occurring in several areas, including Asia-Pacific and Europe. The market for metal recycling is growing in demand due to the rapid economic growth brought about by increased industrialization and urbanization. Consequently, increased government and consumer spending on housing and infrastructure as a result of growing urbanization boosts market growth.

Global government programmes that promote and encourage metal recycling have a big effect on the market as a whole. For instance, by establishing challenging goals and encouraging sustainable production and consumption methods, the circular economy package of the European Union seeks to enhance the recycling and reuse of commodities, including metal. All things considered, government initiatives for recycling metal are vital for encouraging environmentally friendly production and consumption methods, cutting waste and its negative effects on the environment, and propelling the world market for recycled metal.

The global metal recycling market is expanding as a result of end-use industries, including manufacturing, construction, and automotive, using metal more and more. Because recycled metal is just as good as virgin metal in terms of quality, cost, and environmental impact, the end-use industries are switching from employing virgin metal to recycled metal because of the previously cited reasons.

The aluminium segment in the metal recycling market is expected to hold the largest share of about 39% during the forecast period. Recycling aluminium is becoming more popular than recycling other metals since it is less harmful to the environment because it uses less energy and emits fewer greenhouse gases. Reusing aluminium helps lower greenhouse gas emissions since it uses 95% less energy than making new aluminium from raw materials. Additional recycling of aluminium is economical since it uses less energy, which lowers production costs. Furthermore, because aluminium is used in so many different industries, including packaging, transportation, and building, demand for metal is rising. Aluminium recycling makes it possible to satisfy this need without using up natural resources. As a result, there has been a notable increase in aluminium recycling in recent years due to a growing understanding of the advantages of recycling aluminium as well as economic and environmental factors.

The metal recycling market in the Asia-Pacific region is attributed to hold the largest global share of about 32% by the end of 2036. Being one of the world's top manufacturers of steel and aluminium, the area is responsible for the market's expansion.

(Source: Metal Recycling Market Size & Share, Forecast Report 2036, November 2023 report by Research Nester)

According to 6Wresearch, Malaysia's metal scrap recycling market is projected to grow at a CAGR of 5.6% during 2022-2028. The government's focus on the expansion of the rail systems in Malaysia in line with government projects such as the Mass Rapid Transit 3 (MRT3) Circle Line project with an approximate investment of USD7.4 billion would increase the generation rate of metal scraps in the country.

With growing scrap generation and increasing demand for ferrous and non-ferrous metals in the automotive and construction sector, the metal scrap recycling industry in Malaysia is expected to flourish in the coming years. Furthermore, Malaysia established its first-ever non-ferrous metals organisation in 2019 with the goal of bridging the gap between many diverse stakeholders of the industries, such as the government, traders, and manufacturers, which significantly contributed to the market expansion during the last few years. Following China's crackdown on scrap imports, several investors have started to set up recycling facilities in Southeast Asian countries including Malaysia. These newly set-up yards will process the non-ferrous scrap to filter out the impurities in order to meet the stricter import scrap criteria to China thus, driving the metal scrap recycling market in Malaysia.

Malaysia's metal scrap recycling market is currently in the growth stage of the industry life cycle owing to the country's robust automotive sector. A growing amount of construction projects is also expected to contribute towards the growth of the recycling industry in the country.

Copper demand is projected to rise by 16%, reaching 25.5 million tonnes per annum (TPA) by 2030 across the nation and higher copper prices would encourage the demand for recycled copper metal scrap in the coming years. Furthermore, aluminium, due to its excellent scrap value and lower energy needs, is expected to grow significantly during the forecast period.

The urbanization rate in Malaysia grew drastically over the last few years with around 73.5% of the country's population residing in urban areas. This number is expected to increase to 77.6% by 2030 comprising approximately 27 million urban population. Urbanization has a crucial impact on the future of the metal industry as metal is the base for all infrastructural operations. A huge flow of population from rural to urban areas creates substantial demand for steel to be used in the infrastructure developments such as water, energy, and mass transit systems as well as major construction and housing programmes eventually resulting in the generation of metal scrap in the country. The recycling rates have significantly increased from 15.7% in 2015 to 31.5% in 2021, thereby increasing the amount of metal scrap being utilized in the construction projects carried out in the country. This generates lucrative prospects of high growth in the aggregate demand for metal scrap in the upcoming years.

Malaysia's exponential growth in attracting investments in the manufacturing sector and the country's growing foreign direct investments would facilitate expansion in manufacturing capacities, thereby, enabling the country to produce massive amounts of metal scrap in the coming years. Hence, this drastic shift in supply would incentivize the government and regional players in capitalizing on the opportunity of purchasing and recycling scrap materials and contributing to the metal scrap market.

(Source: Malaysia Metal Scrap Recycling Market (2022-2028), December 2022 report by 6Wresearch)

4.4 Future prospects of the enlarged Group

On 6 January 2023, the Group had obtained shareholders' approval to diversify its principal activities to include the Recycling Business, which involves the business of metal recycling, collection, recycling and recovery of liquid and solid industrial waste, treatment of industrial chemicals and chemical related products and provision of recycling management services. In line with the above, the Board intends to undertake the Proposed Acquisition in line with its business strategy to expand its business operations in order to improve its financial performance in the future. Through the Proposed Acquisition, the Group may be able to enhance the revenue contribution of its Recycling Business through the financial contribution of Metahub, which will become a 51% owned subsidiary of the Group upon completion of the Proposed Acquisition and thereby improve the overall financial performance of the Group.

Pursuant to the Group's diversification into the Recycling Business on 6 January 2023, the Group's wholly owned subsidiary (i.e. PMSB) had commenced operations in the trading of recycled products that include aluminium ingots, aluminium pallets, carbons blocks and carbon powder. PMSB contributed revenue of RM32.50 million and PAT of RM0.40 million to the Group for the FYE 31 December 2023. Notwithstanding that the Recycling Business spans across numerous recyclable products, PMSB had focused on the trading of aluminium and carbon while the management of the Group focused on expanding the Group's network within the recycling industry to potentially commence business operations in the recycling of other products. Through discussions between the management of the Group and the Vendors, the Board (save for the Interested Director), had opined that the Proposed Acquisition of Metahub would enable the Group to strengthen and expand its operations to include the recycling of metals in addition to solely trading such metals.

As stated in **Section 2.1, Part A** of this Circular, Metahub is involved in the business of recovery and reprocessing of precious metals (i.e. aluminium, copper, tin and nickel) from production wastes, the collection and reprocessing of production wastewater and the trading of excess scrap waste. Specifically, Metahub is able to generate revenue from the collection of the precious metals/ wastewater by charging a fee per MT upon collection and upon reprocessing. In January 2024, Metahub had completed the construction of its aluminium reprocessing plant as well as the upgrade of its wastewater reprocessing plant, both in Skudai, Johor. The aforementioned plants have been operational since January 2024 and will enable Metahub to enhance its annual recycled quantity of aluminium and wastewater and thereby increasing its aluminium and wastewater reprocessing capacity to generate further revenue. Metahub has also upgraded the aforementioned plants to be in compliance with the DOE's standards on recycling and reprocessing of waste facilities, in order to obtain the DOE's approval to further enhance its reprocessing capacity moving forward. Subsequently in August 2024, Metahub had obtained DOE approval to increase its wastewater reprocessing capacity from 200MT a month to 2,500MT a month, which it expects to gradually commence in October 2024, subject to negotiations with existing and potential customers. The management of Metahub has estimated for the assumed selling price of wastewater to be between RM800/ MT to RM1,000/ MT, as discussed further in **paragraph 6 of Section 4.4, Part A** of this Circular. Separately, the management of Metahub anticipates to receive DOE approval for the increase in its aluminium reprocessing capacity in the 4th quarter of 2024, which may allow Metahub to increase the reprocessing capacity of its aluminium plant from 200MT a month to 3,000MT a month. Additionally, the management of Metahub is in the process of constructing its copper reprocessing plant in Skudai, Johor which Metahub envisions to be completed by the 4th quarter of 2024.

In view of the above, the Proposed Acquisition will also enable the Group to move upstream in the Recycling Business, where the Group (through PMSB) is currently operating solely in the downstream trading of aluminium and carbon. As mentioned above, the Group (via PMSB) engages in the trading of recycled products, which involves the purchase of metal scrap materials, outsourcing it to third parties for sorting and treatment, and the subsequent sale of these semi-finished materials to local smelter plants. Insofar, the trading of aluminium and carbon has contributed approximately RM32.50 million of the Group's total revenue for the FYE 31 December 2023, representing approximately 35.45% of the Group's total revenue for the said FYE. With the Proposed Acquisition, the Group can move upstream in its recycling process, where Metahub may facilitate the sorting and reprocessing of the metal scraps in-house for PMSB to subsequently trade, rather than outsourcing the sorting and reprocessing process to third parties, which may potentially reduce the Group's operating costs and improve its margins and overall financial performance.

Kindly refer to the table below for the estimated revenue to be generated by Metahub's reprocessing businesses based on the following scenarios:-

Scenario	Indicative Monthly Capacity (MT)	Assumed Selling Price per MT (RM) ^{*1}	Monthly Revenue Generated (RM) ^{*2}	Yearly Revenue Generated (RM) ^{*2}
Aluminium				
LPD	100	750-950	85,000	1,020,000
Upon obtaining DOE approval ^{*3}	1,000-2,400	750-950	850,000-2,040,000	10,200,000-24,480,000
Maximum capacity	3,000	750-950	2,550,000	30,600,000
Wastewater				
LPD	150	800-1,000	135,000	1,620,000
October 2024 ^{*4}	1,150-1,450	800-1,000	1,035,000-1,305,000	12,420,000-15,660,000
Maximum capacity	2,500	800-1,000	2,250,000	27,000,000
Copper^{*5}				
Planned capacity	1,300	900-1,100	1,300,000	15,600,000
Maximum capacity	1,560	900-1,100	1,560,000	18,720,000

Notes:-

^{*1} The assumed selling price per MT shown is based on the management of Metahub's internal estimates and projections.

^{*2} Estimated revenue generated based on the median of the assumed selling price range.

^{*3} Illustrative capacity based on Metahub's negotiations with existing and potential new customers, and taking into consideration the KYH Commitment (as defined below in **Section 4.4, Part A** of this Circular).

^{*4} Metahub had obtained DOE approval for an increased wastewater reprocessing capacity of 2,500 MT a month in August 2024. The capacity shown here is based on Metahub's negotiations with existing and potential new customers, and is anticipated to gradually commence in October 2024.

^{*5} For information purposes, the capacity for reprocessing of copper does not require approval from the DOE.

Wastewater segment

Metahub had in August 2024 obtained DOE approval to increase its wastewater reprocessing capacity from 200MT a month to 2,500MT a month. In anticipation of this, Metahub has commenced negotiations with existing and potential customers in recent months to engage Metahub's wastewater reprocessing business at a larger capacity, which include food manufacturers and plastic and chemical manufacturers. For information purposes, for the FYE 31 December 2023, the wastewater reprocessing business contributed revenue of RM0.82 million while operating at the capacity of 85-100MT a month. The management of Metahub has estimated for the assumed selling price of wastewater to be between RM800/ MT to RM1,000/ MT. Pursuant to discussions with several existing and new customers to increase the quantity of wastewater processed, Metahub anticipates an increase of approximately 1,000-1,300 MT of wastewater processed a month commencing in October 2024, and in the long run to increase further up to the full capacity of 2,500MT a month.

Based on the factors outlined above, the management of Metahub has projected gross margins of between 35.0% to 40.0% for its wastewater segment between the FYE 31 December 2024 to FYE 31 December 2028, as compared to 4.2% based on Metahub's financial results as at 31 July 2024. This is further supported by the low fixed cost associated with upscaling the wastewater business, as Metahub's wastewater reprocessing plant has completed upgrade in January 2024 to cater for the increased reprocessing capacity. With the abovementioned, it is anticipated that the future revenue to be generated from the wastewater business and improved margins will contribute positively to the achievability of the Profit Guarantee and to the future earnings of the Group. This is in addition to the anticipated revenue increase contributed from the increased aluminium reprocessing capacity upon procuring the DOE approval.

Aluminium segment

Upon the commencement of the operations of the Group's upgraded aluminium plant, Metahub has been negotiating with its existing and new customers involved in the manufacturing of aluminium & aluminium components and the trading of aluminium, regarding providing a higher volume of scrap metal once DOE approval has been obtained. The Board opines that the inclusion of these existing and potential customers may provide Metahub with an increased volume of scrap metal to expand its aluminium reprocessing business. Pursuant to negotiations with the aforementioned customers, the management of Metahub anticipates the volume of Metahub's aluminium reprocessing to increase by 1,000-2,400 MT a month, with a potential further increase once Metahub has commenced further negotiations with its other existing and new customers. For information purposes, the Board estimates to receive DOE approval for the increased capacity of aluminium reprocessing by the 4th quarter of 2024.

One such customer, KYH Recycle Industries Sdn Bhd ("**KYH Recycle**"), had on 24 September 2024, provided a signed letter of commitment to Metahub, committing to engaging Metahub's aluminium recycling and reprocessing services for a monthly quantity of 1,000-2,200 MT at a selling price per MT of RM800–RM900 ("**KYH Commitment**"). Pursuant to the KYH Commitment, KYH Recycle will enter into a 3 year contract with Metahub for the abovementioned quantity of aluminium reprocessed, commencing upon Metahub obtaining DOE approval for its increase in aluminium reprocessing capacity. Subject to the above, the revenue generated by Metahub from the KYH Commitment translates to approximately RM0.80 million to RM1.98 million a month.

For information purposes, since January 2024, KYH Recycle has an ongoing working relationship with Metahub, whereby KYH Recycle has been providing approximately 100 MT of aluminium scrap to Metahub on a monthly basis. KYH Recycle is a 90% owned subsidiary of Technovate Holdings Sdn Bhd, which is jointly owned by the Interested Director and Koon Hon Hoong (the Interested Director's cousin). Presently, KYH Recycle has undergone recurrent related party transactions with the Group (through PMSB) throughout the FYE 31 December 2023, whereby KYH Recycle supplies reprocessed aluminium alloy ingots to PMSB to subsequently trade, in the amount of RM5.81 million. Moving forward and upon completion of the Proposed Acquisition, the Group will continue to seek shareholders approval for future recurrent related party transactions with KYH Recycle pursuant to the KYH Commitment. The Board opines that the KYH Commitment provides the Group with more certainty on the future financial performance of Metahub, given that KYH Recycle has committed to entering into a contract for the procurement of Metahub's services for a monthly aluminium quantity of 1,000 to 2,200 MT. This also provides greater visibility to the Board for the financial performance of Metahub and the achievability of the Profit Guarantee.

Based on the factors outlined above, the management of Metahub has projected annual gross margins of 16.0% to 24.0% for its aluminium segment between the FYE 31 December 2024 to FYE 31 December 2028, as compared to 4.0% based on Metahub's financial results as at 31 July 2024. This is further supported by the low fixed cost associated with upscaling the aluminium business, as Metahub's aluminium reprocessing plant had completed its upgrade in January 2024 to cater for the increased reprocessing capacity and the requirements of the DOE standards.

Copper segment

Further, Metahub's copper reprocessing plant is expected to be operational in the 4th quarter of 2024, after which Metahub can begin reprocessing copper from the electronic scraps it recovers from customers. For information purposes, a portion of the electronic scrap waste Metahub collects from its customers contain copper, which Metahub has been trading as part of its trading of scrap waste business. Upon commencement of the operations of Metahub's copper reprocessing plant, Metahub can begin reprocessing these copper scraps at an estimated capacity of approximately 1,000-1,300 MT a month. Additionally, Metahub has entered into a memorandum of understanding with 2 new customers (both of which are principally involved in the business of trading of mixed scrap waste) to engage Metahub's copper recycling and reprocessing services for a period of 2 years, beginning 1 November 2024, for a total quantity of 650-750 MT a month ("**Copper MOU**"). Subject to the above, the revenue generated by Metahub from the Copper MOU translates to approximately RM0.59 million to RM0.83 million a month, based on the management of Metahub's internal estimates and assumed selling price for copper.

The management of Metahub has projected annual gross margins of 33.0% to 38.0% between the FYE 31 December 2024 to FYE 31 December 2028 for its copper segment, based on expected staff costs, carbon block expenses, utilities, filter bag replacement, upkeep of machinery, and other miscellaneous costs.

In summary and based on Metahub's present negotiations with its existing and new potential customers, Metahub is anticipated to generate revenue of approximately RM0.85 million to RM2.04 million (aluminium) progressively on a monthly basis upon obtaining DOE approval for an increase in reprocessing capacity, and RM1.04 million to RM1.31 million (wastewater) on a monthly basis progressively commencing in October 2024, subject to negotiations with existing and potential customers. Additionally, once Metahub's copper reprocessing plant has been constructed, the management of Metahub anticipates to reprocess up to 1,300 MT of copper a month based on the number of electronic scraps that Metahub anticipates to collect, which may generate revenue of approximately RM1.30 million a month based on internal estimates. Moving forward, leveraging on the expanded customer base and expertise of PMSB and the Interested Director in the recycling business, the management of Metahub envisages that Metahub may operate near maximum capacity for each of its reprocessing businesses, translating to the potential monthly revenue illustrated in the table above.

In tandem with this, the management of Metahub does not anticipate significant increase in its cost of sales in conjunction with the increase in capacity as Metahub's current aluminium and wastewater plants have already been upgraded to cater to the increased capacity and DOE requirements, and therefore may not incur significant fixed costs (i.e. depreciation and labour cost). Further, Metahub's copper reprocessing business is not subject to DOE approval and Metahub's copper plant currently under construction has a maximum reprocessing capacity of 1,560MT a month. In conjunction with the increase in reprocessing capacity of Metahub's aluminium and copper business, Metahub will obtain more scrap waste from its customers, which will also increase the number of scrap waste that Metahub trades, thereby enhancing the revenue contribution of its trading business. Further to this, as at the LPD, Metahub has secured additional sale and purchase agreements and purchase orders with customers of its trading segment, totaling to RM17.35 million, which is expected to be recognised over a period from October 2024 to March 2025. For information purposes, these customers are involved in metal manufacturing and trading. Thusfar, Metahub's trading segment has recorded gross margin of 12.0% as at 31 July 2024, which has exceeded the initial forecast by the management of Metahub of 5.0%, attributable to Metahub's negotiations with its suppliers to allow for the purchase of goods at lower prices due to increased order quantities.

Based on the guided PAT margin of 13.4% and EBITDA margin of 19.7% estimated by the management of Metahub for its collective business segments in the FYE 31 December 2025 upon the expanded operations with DOE approval, the management's guided PAT and EBITDA projection amount to RM13.00 million and RM19.12 million for the FYE 31 December 2025, respectively. With the estimated increase in the volume of aluminium and wastewater reprocessed a month, and the commencement of the copper reprocessing business, the Board opines that this will augur well with Metahub's business expansion plans to potentially enhance Metahub's financial performance.

The Board (save for the Interested Director), taking cognisance of the principal activities and future business plans of Metahub, opine that the Proposed Acquisition provides the Group with an opportunity to expand its present Recycling Business by undertaking upstream metal recycling activities, while also entering in to the treating of production wastewater. The Board also intends to leverage on the expertise of Koon Hoi Chun and the infrastructure of PMSB combined with Metahub, to create synergistic benefits such as an increased customer base from the enlarged Group and the sharing of workforce and production facilities to minimise costs and improve gross margins. Additionally, the Board has taken cognisance of the positive market outlook of the recycling and metal recycling industry in Malaysia as stated in **Sections 4.2 and 4.3, Part A** of this Circular. The Board continues to see expanding opportunities in the recycling industry, driven by a growing emphasis on environmental, social, and governance practices, as international countries and corporations focus on addressing environmental issues such as global warming through, among others, regulating waste disposal and promoting industrial and consumer recycling.

Taking into consideration the abovementioned factors which have been set out in **Section 4.4, Part A** of this Circular, the Board opines that the Profit Guarantee is realistic, and that the Purchase Consideration is justified. Upon completion of the Proposed Acquisition, Metahub will become a 51% owned subsidiary of the Group and the revenue generated by Metahub will contribute to the revenue of the Group's Recycling Business. Barring any unforeseen circumstances and taking cognisance of the above, the Board opines that the Proposed Acquisition augurs well with the Group's business expansion plans and remains carefully optimistic regarding the future prospects of the enlarged Group.

(Source: Management of PUB)

5. RISK FACTORS

Save as disclosed below, the Board does not foresee any material risk pursuant to the Proposed Acquisition:-

5.1 Risk of not achieving Metahub's profit forecast or the Profit Guarantee

AER's valuation of Metahub using the FCFE approach as outlined in **Section 2.2, Part A** of this Circular and the Valuation Certificate is based on profit forecasts and output projections derived from various bases and assumptions that are forward-looking and are subject to certain uncertainties that may be outside of the management of Metahub's control. Similarly, the Profit Guarantee is also subject to the profit forecasts and various bases and assumptions, and are similarly subject to uncertainties and contingencies that may be outside of the management of Metahub's control. Such uncertainties may include any delay or interruption to the reprocessing facilities and/ or production output of Metahub, delay in obtaining the relevant authorities' approval (i.e. DOE approval for increase in aluminium reprocessing capacity) for Metahub's business, or disruption in obtaining the continuous supply of waste products for Metahub's business operations.

While the Board has taken reasonable steps to assess the achievability of Metahub's profit forecast, output projections, and the Profit Guarantee, which include assessing Metahub's past financial performance, future cash flow projections as shown in the Valuation Certificate by AER, as well as the prospects and future plans of the enlarged Group as set out in **Section 4.4, Part A** of this Circular, there can be no assurance that Metahub's profit forecast or the Profit Guarantee will be met.

Further, based on MFRS 3 Business Combinations issued by the Malaysian Accounting Standards Board, PUB Group may recognise goodwill arising from the Proposed Acquisition. Goodwill represents the excess of the consideration over the Group's share of the fair value of the identifiable net assets acquired. In the event Metahub does not achieve the profit forecast or Profit Guarantee amount, or there are material changes or events arising that may adversely affect the business prospects and/ or assets of Metahub, the goodwill arising from the Proposed Acquisition may be subject to impairment, based on further consideration by the auditors of PUB.

In the event that Metahub is unable to obtain DOE approval to increase its aluminium reprocessing capacity within the expected timeframe, this will result in Metahub being unable to increase the output capacity of its aluminium reprocessing business to the projected capacity, resulting in lower revenue contribution from this segment. This may impact Metahub's ability to meet its profit forecast and the Profit Guarantee. To mitigate the risk of Metahub not achieving the profit forecast and output projections, the SPA has provided that the Vendor has given their continuing warranty that the licenses by the DOE in approving Metahub's reprocessing capacity be obtained within 6 months from the completion of the Proposed Acquisition, or such other period as PMSB and the Vendors may otherwise mutually agree in writing and in any such event within the timeline as required by the relevant authorities. Additionally, in the event Metahub fails to meet the Profit Guarantee for the Guaranteed Financial Years, the Group may claim a Shortfall sum from the Vendors in the manner set out in **Section 2.4, Part A and Appendix II** of this Circular.

Further, to mitigate the risk of delay/ failure by Metahub in obtaining DOE approval to increase its aluminium reprocessing capacity, the Vendors and the management of Metahub will routinely follow up through verbal and written enquiries with the DOE, in order to address the DOE's concerns regarding awarding Metahub with approval for aluminium reprocessing.

Additionally, should the Vendors fail to pay to PMSB the Shortfall within 30 days from the Audited Accounts Approval Date for the FYE 31 December 2025, the Escrow Agent may be instructed by PMSB to sell the remaining Pledged Consideration Shares and utilise all or any moneys arising therefrom to recover the amount of Shortfall that remains unpaid to PMSB. Any loss in value upon sale of the Pledged Consideration Shares to the amount of Shortfall shall be paid by the Vendors, as outlined in **Section 8.1 of Appendix II** of this Circular. In the event the Vendors fail to pay the sum of loss in value from the sale of the Pledged Consideration Shares, the Purchaser will be entitled to legal remedies such as specific performance and/ or claim of damages from the Vendors.

Further, should the Vendors fail to abide by the Vendor's continuing warranties outlined in **Section 7.1 of Appendix II** of this Circular, the Purchaser shall be entitled to indemnity in accordance with **Section 8.1(v) of Appendix II** of this Circular, whereby the Purchaser may be indemnified by monetary compensation through any proceedings initiated by the Purchaser relying on **Section 8.1(v) of Appendix II** of this Circular, notwithstanding completion of the Proposed Acquisition.

For clarification purposes, there will not be any impact to the financial position or operations of Metahub in the event the Profit Guarantee is not met and Shortfall sum not paid.

5.2 Acquisition risk

The Proposed Acquisition is expected to contribute positively to the future performance of the Group in the long term. However, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised after the completion of the Proposed Acquisition. Accordingly, there can be no assurance that the anticipated benefits from the Proposed Acquisition will be realised, and that the Group will be able to generate sufficient returns to offset the associated costs arising from its further investment arising from the Proposed Acquisition.

Nevertheless, the Group will constantly monitor the progress and performance of Metahub and to leverage on its management expertise and experience to properly manage the operations of Metahub.

5.3 Completion risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SPA being fulfilled or if waivable, waived, details of which are as set out in **Appendix II** of this Circular. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SPA. In the event that the condition precedents are not met/ waived, the SPA will be terminated and the Proposed Acquisition will not be completed.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedents are met in a timely manner and that every effort is made to obtain all necessary approvals for the Proposed Acquisition within the stipulated timeframe.

5.4 Risks associated with the metal recycling and reprocessing business

Following the Proposed Acquisition, the Group will continue to face risks inherent in the metal recycling and reprocessing business including, but not limited to, the availability and cost of metal materials and regulations within the metal industry. There can be no assurance that the Group will be able to successfully mitigate the various risks inherent in the metal recycling and reprocessing business, and if unable to do so, the business operations and financial performance of the Group may be adversely affected.

Nevertheless, the Group has been involved in the metal recycling and reprocessing business since the diversification exercise on 6 January 2023 and will continue to mitigate these risks through the periodic review of its operations and through prudent financial management to improve efficiency.

6. EFFECTS OF THE PROPOSED ACQUISITION

As at the LPD, the issued share capital of PUB is RM84,902,259 comprising 83,829,652 Shares. Further, as at the LPD, the Company does not retain any treasury shares. In addition, the Company had on 20 April 2023 established a LTIS and the maximum number of new PUB Shares to be granted or issued pursuant to the exercise of the LTIS options shall not in aggregate exceed 15% of the total issued Shares at any point in time during the duration of the LTIS. For information purposes, as at the LPD, the Company has not granted any shares or options pursuant to the LTIS. Further, for the purpose of implementing the Proposed Acquisition, the Board has undertaken not to grant any options or shares pursuant to the LTIS prior to the completion of the Proposed Acquisition. Pursuant thereto, the effects of the Proposed Acquisition will be illustrated on the basis that none of the shares or options from the LTIS are granted prior to the completion of the Proposed Acquisition.

6.1 Issued share capital

	No. of Shares	RM
Issued Share capital as at the LPD	83,829,652	84,902,259
Consideration Shares to be issued pursuant to the Proposed Acquisition	17,288,136	51,000,000
Enlarged share capital	101,117,788	135,902,259

6.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position for the FYE 31 December 2023, the pro forma effects of the Proposed Acquisition on the NA per Share and gearing of the Group are set out as follows:-

	Audited FYE 31 December 2023 RM	After the Proposed Acquisition RM
Share capital	84,902,259	135,902,259 ^{*1}
Merger reserves	(4,618,481)	(4,618,481)
Revaluation reserves	32,628,210	32,628,210
Accumulated losses	(36,351,489)	(36,851,489) ^{*2}
NA	76,560,499	127,060,499
Number of Shares in issue	83,829,652	101,117,788
NA per Share (RM)	0.91	1.26
Total borrowings (RM)	11,137,856	11,137,856
Gearing level (times)	0.15	0.09

Notes:-

^{*1} Assuming 17,288,136 Consideration Shares are issued at the Issue Price of RM2.95 pursuant to the Proposed Acquisition.

^{*2} After deducting the estimated expenses of RM0.50 million in relation to the Proposed Acquisition.

6.3 Earnings and EPS

Save for the Profit Guarantee, the Proposed Acquisition is not expected to have any immediate material effect on the earnings and EPS of the Group for the FYE 31 December 2024.

For illustrative purposes only, assuming that the Proposed Acquisition had been effected on 1 January 2023 (being the beginning of the latest audited FYE 31 December 2023 of PUB), the pro forma effects of the Proposed Acquisition on the earnings and the EPS of the Group are as follows:-

	Audited FYE 31 December 2023 RM	After the Proposed Acquisition RM
PAT (attributable to shareholders) ^{*1}	9,149,159	9,149,159
Recognition of (LAT) from Metahub ^{*2}	-	(816,810)
Less: Estimated expenses of the Proposed Acquisition	-	(500,000)
Total PAT	9,149,159	7,832,349
No. of Shares in issue	83,829,652	101,117,788
Basic EPS (sen)	10.91	7.75

Notes:-

^{*1} Based on the latest audited consolidated financial results of PUB for the FYE 31 December 2023.

^{*2} Based on the latest audited consolidated financial results of the Metahub for FYE 31 December 2023, multiplied by the 51% equity interest to be acquired.

6.4 Convertible securities

Save for the LTIS options, the Company does not have any other existing convertible securities as at the LPD.

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6.5 Substantial shareholding structure

	Shareholdings as at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ^{*1}	No. of Shares	% ^{*1}	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}
Koon Hoi Chun	1,938,900	2.31	39,979,794 ^{*3}	47.69	1,938,900	1.92	53,810,303 ^{*4}	53.22
ACSB	39,979,794	47.69	-	-	39,979,794	39.54	-	-
IASB	-	-	-	-	13,830,509	13.68	-	-
Ung Yoke Hong	-	-	-	-	3,457,627	3.42	-	-

Notes:-

^{*1} Based on total number of 83,829,652 PUB Shares.

^{*2} Based on total number of 101,117,788 PUB Shares after the Proposed Acquisition.

^{*3} Deemed interested by virtue of his equity interest in ACSB.

^{*4} Deemed interested by virtue of his equity interest in ACSB and IASB.

Paragraph 8.02(1) of the Listing Requirements stipulates that a listed issuer must ensure that at least 25% of the total listed shares (excluding treasury shares, if any) are in the hands of public shareholders. As at the LPD, the public shareholding spread of the Company is 49.64%. Strictly for illustrative purposes, assuming the completion of the Proposed Acquisition as at the LPD, the public shareholding spread of the Company will decrease to 44.57%, computation summary as set out below:-

Particular	As at LPD		After the Proposed Acquisition	
	No. of Shares	%	No. of Shares	%
Issued share capital of PUB	83,829,652	100.00	101,117,788	100.00
Less: Directors of PUB and its subsidiaries, substantial shareholders of PUB, and associates of Directors or substantial shareholders of PUB	42,218,694	50.36	56,049,203	55.43
Public shareholding	41,610,958	49.64	45,068,585	44.57

Accordingly, the public shareholding spread of the Company is not expected to fall below 25% of the enlarged issued share capital after the completion of the Proposed Acquisition.

Furthermore, the collective shareholdings of Koon Hoi Chun and ACSB stood at 50.00% as at the LPD. Assuming the completion of the Proposed Acquisition as at the LPD, their collective shareholdings in the Company will increase to 55.13% (after including Koon Hoi Chun's indirect interest through IASB). Accordingly, the Proposed Acquisition will not give rise to any obligation to undertake a mandatory take-over offer in the Company, in view that Koon Hoi Chun and ACSB have held statutory control over the Company (i.e. holding of more than 50% of the voting shares or voting rights) in accordance with the Rules on Take-overs, Mergers and Compulsory Acquisitions.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of PUB Shares as traded on Bursa Securities for the past 12 months from October 2023 to September 2024 are set out below:-

	High RM	Low RM
2023		
October	2.85	2.57
November	2.77	2.60
December	2.83	2.60
2024		
January	3.28	2.79
February	4.05	3.10
March	3.95	3.50
April	3.80	3.60
May	3.72	2.98
June	3.78	3.48
July	3.76	3.45
August	3.59	3.00
September	3.45	3.01
Last transacted market price of PUB Shares as at 24 May 2024 (being the latest transacted date prior to the announcement of the Proposed Acquisition)		3.50
Last transacted market price as at the LPD		3.19

(Source: Bloomberg)

8. HIGHEST PERCENTAGE RATIO APPLICABLE

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Acquisition is approximately 66.61% computed based on the Purchase Consideration of RM51.00 million for 51% equity interest in Metahub over the audited net assets of PUB for the FYE 31 December 2023.

9. APPROVALS REQUIRED AND INTER-CONDITIONALITY

The Proposed Acquisition is subject to the following approvals:-

- i. Bursa Securities, for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, the approval of which has been obtained vide Bursa Securities' letter dated 30 September 2024 subject to the following conditions:-

	Conditions	Status of compliance
a.	PUB and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
b.	PUB must comply with the public security holding spread requirements pursuant to Paragraph 8.02(1) of the Listing Requirements at all times upon listing and quotation of the Consideration Shares;	To be complied
c.	PUB is required to furnish Bursa Securities with a certified true copy of the resolution passed by its shareholders at the general meeting for the Proposed Acquisition;	To be complied

- | | | |
|----|---|----------------|
| d. | UOBKH and PUB to inform Bursa Securities upon the completion of the Proposed Acquisition; and | To be complied |
| e. | PUB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed. | To be complied |
- ii. The shareholders of PUB at an EGM of the Company to be convened; and
- iii. Any other relevant authority and/ or party, if required.

The Proposed Acquisition is not conditional upon any other proposals undertaken or to be undertaken by the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, Major Shareholders, and chief executive of PUB and/ or persons connected to them has any interests, whether direct or indirect, in the Proposed Acquisition:-

- i. Koon Hoi Chun is the Executive Chairman and Major Shareholder of PUB (2.31% direct shareholdings and 47.69% indirect shareholdings through his equity interest in ACSB). Koon Hoi Chun is also a major shareholder of Metahub (80.0% indirect shareholdings through his equity interest in IASB); and
- ii. ACSB is a Major Shareholder of PUB (47.69% direct shareholdings). ACSB is wholly owned by Koon Hoi Chun, the Executive Chairman and Major Shareholder of PUB.

Accordingly, the Interested Director has abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant Board meetings. Additionally, the Interested Parties will abstain from voting in respect of its direct and/ or indirect shareholdings, if any, in the Company on the resolution pertaining to the Proposed Acquisition to be tabled at the EGM. Further, the Interested Parties have also undertaken to ensure that person(s) connected to them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, in the Company on the resolution pertaining to the Proposed Acquisition to be tabled at the EGM.

11. TRANSACTIONS WITH RELATED PARTY(IES) IN THE PRECEDING 12 MONTHS

Save for the related party transaction as set out in this Circular, and transactions under shareholders' mandate for recurrent related party transactions as set out in the circular dated 30 April 2024 and were approved at PUB's 30th annual general meeting held on 26 June 2024, the Group has not entered into any transactions with the Interested Parties in the 12 months preceding the date of this Circular.

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12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Director), having considered and deliberated on all aspects of the Proposed Acquisition including but not limited to the terms and conditions of the SPA, the basis and justification in arriving at the Purchase Consideration and the Issue Price for the Consideration Shares, the rationale and justification, the prospects of the enlarged Group as well as the pro forma effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interests of the Company

Accordingly, the Board (save for the Interested Director) recommends that you vote **in favour** of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of PUB, after taking into consideration the advice and preliminary opinion of the Independent Adviser, is of the opinion that the Proposed Acquisition is:-

- i. in the best interests of the Group;
- ii. fair, reasonable and on normal commercial terms; and
- iii. not detrimental to the interest of the non-interested shareholders of the Company.

In forming its views, the Audit Committee of PUB has taken into consideration, amongst others, the following:-

- i. the rationale and justification for the Proposed Acquisition, as well as the prospects of enlarged Group;
- ii. the terms and conditions of the SPA;
- iii. the basis and justification in arriving at the Purchase Consideration as well as the Issue Price for Consideration Shares; and
- iv. the pro forma effects of the Proposed Acquisition.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Acquisition is expected to be completed by the 4th quarter of 2024.

The tentative timetable in relation to the Proposed Acquisition is as follows:-

Date	Events
30 October 2024	<ul style="list-style-type: none">• Convening of the EGM to obtain the approval of shareholders of PUB
End November 2024	<ul style="list-style-type: none">• Fulfilment of all conditions precedent for the SPA for the Proposed Acquisition
End December 2024	<ul style="list-style-type: none">• Listing of the Consideration Shares on the Main Market of Bursa Securities• Completion of the Proposed Acquisition

15. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition (being the subject matter of this Circular), the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

16. EGM

The EGM, the notice of which is enclosed in this Circular, will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan, through live streaming and online remote voting using Remote Participation and Voting ("**RPV**") facilities at <https://paragon-egm.digerati.com.my> (Domain registration number D1A119533) provided by Digerati Technologies Sdn Bhd in Malaysia on Wednesday, 30 October 2024 at 3:30 p.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Acquisition.

If you are unable to attend, participate, speak and vote remotely at the EGM you are entitled to appoint a proxy or proxies to attend, participate, speak and vote on your behalf. As such, you are requested to complete, sign and return the Proxy Form in accordance with the instructions contained therein, at the office of Share Registrar of PUB, situated at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time holding the EGM or at any adjournment thereof. The Proxy Form is enclosed in this Circular. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

Shareholders of PUB are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
PARAGON UNION BERHAD

WONG EE COLN
Managing Director

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF PUB IN
RELATION TO THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All definitions or defined terms used in this executive summary shall have the same meanings and expressions as defined in the Definitions section of and throughout the Circular, except where the context otherwise requires or where otherwise defined herein.

All references to “you” and “your” are to the non-interested shareholders of PUB, whilst references to “we”, “us” and “our” are to MainStreet, being the Independent Adviser for the Proposed Acquisition.

This executive summary highlights the salient information of the Proposed Acquisition. Shareholders of PUB are advised to read and understand this IAL in its entirety, together with Part A of the Circular and the appendices thereto for any other relevant information and are not to rely solely on the executive summary before forming an opinion on the Proposed Acquisition. You are also advised to consider carefully the recommendation contained herein before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, investment adviser, accountant, solicitor, or other professional advisers immediately.

1. INTRODUCTION

On 27 May 2024, UOBKH had, on behalf of the Board, announced that PMSB (a wholly owned subsidiary of PUB), had on even date entered into the SPA with the Vendors for the Proposed Acquisition.

Based on the terms of the SPA, the Vendors have provided PUB with the Profit Guarantee, translating to an aggregate audited PBT of RM14.0 million for the Guaranteed Financial Years.

On 30 September 2024, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 30 September 2024, approved the listing and quotation of 17,288,136 Consideration Shares to be issued pursuant to the Proposed Acquisition, subject to the conditions set out in Section 9 of Part A of the Circular.

The Proposed Acquisition is deemed as an RPT pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Parties, as set out in Section 10 of Part A of the Circular.

Accordingly, the Board (save for the Interested Director) had on 5 March 2024, appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of PUB in respect of the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested shareholders of PUB with an independent evaluation on the Proposed Acquisition together with our commentary, opinion and recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposed Acquisition.

Nevertheless, the non-interested shareholders of PUB should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

This IAL is prepared solely for the non-interested shareholders of PUB to consider the Proposed Acquisition and should not be used or relied upon by any other party or for any other purpose whatsoever.

Please refer to Section 2 of Part A of the Circular for details on the Proposed Acquisition.

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2. OUR EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following pertinent factors:

Section in This IAL	Area of Evaluation	Commentary
Section 6.1	Rationale and justifications for the Proposed Acquisition	<p>We take note of the rationale and justifications for the Proposed Acquisition as set out in Section 3 of Part A of the Circular and opine that the Proposed Acquisition would provide the following benefits to the PUB Group as follows:</p> <ul style="list-style-type: none"> (i) The Group will be able to expand its Recycling Business in order to improve its financial performance in the future; (ii) The Group is provided with the Profit Guarantee; and (iii) Full settlement of the Purchase Consideration via issuance of Consideration Shares will allow the Group to conserve cash. <p>Hence, we are of the view that the rationale and justifications for the Proposed Acquisition are reasonable.</p> <p>Nevertheless, non-interested shareholders of PUB should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 5 of Part A of the Circular.</p>
Section 6.2	Evaluation of the basis and justification in arriving at the Purchase Consideration	<p>AER had been appointed as the Independent Valuer by the Company to conduct a fair valuation of the 51.0% equity interest in Metahub pursuant to the Proposed Acquisition. We have reviewed and assessed the Valuation Certificate prepared by AER as set out in Appendix IV of the Circular as part of our evaluation.</p> <p>In arriving at the indicative equity value of the 51.0% equity interest in Metahub, AER has adopted the FCFE approach as the primary methodology and has also adopted the relative valuation approach to cross check the valuation derived based on the FCFE approach.</p> <p>Based on the FCFE approach, the Purchase Consideration is within the fair value range of the 51.0% equity interest in Metahub of between RM45.1 million - RM51.5 million.</p> <p>Based on the relative valuation approach:</p> <ul style="list-style-type: none"> (i) the implied forward PE ratio of 6.8 - 7.8 times based on the fair value range of RM45.1 million to RM51.5 million for the 51.0% equity interest in Metahub is within the range of trailing PE ratio of Comparable Companies of 6.8 - 15.9 times and below the simple average of 11.4 times; and (ii) the implied forward range of EV/EBITDA ratio of 4.6 - 5.3 times based on the fair value range of RM45.1 million to RM51.5 million for the 51.0% equity interest in Metahub is within the range of trailing EV/EBITDA ratio of Comparable Companies of 3.2 - 15.9 times and below the simple average of 10.0 times.

EXECUTIVE SUMMARY (Cont'd)

Section in This IAL	Area of Evaluation	Commentary
		<p>We are of the view that the valuation methodologies applied by AER, i.e. FCFE as the primary approach and relative valuation approach as a cross check, for the valuation of the 51.0% equity interest in Metahub are reasonable, appropriate and consistent with generally applied valuation methodologies and are satisfied that the key bases and assumptions used in arriving at the valuation are reasonable. As such, we are satisfied and have relied on the valuation prepared by AER of the 51.0% equity interest in Metahub.</p> <p>Premised on the above, we are of the view that the Purchase Consideration is fair.</p>
Section 6.3	Evaluation of the Profit Guarantee	<p>The Profit Guarantee will provide some assurance to the financial performance of Metahub over the next 2 financial years from FYE 31 December (“FYE”) 2024 to 2025, which will contribute positively to the Group’s future earnings.</p> <p>PUB and the Vendors agree that a number of Consideration Shares equivalent to the value of the aggregate Profit Guarantee (i.e. RM14.0 million) shall be held by an Escrow Agent. If there is a shortfall in the aggregate audited PBT of Metahub to the Profit Guarantee for the Guaranteed Financial Years, the Purchaser may claim a Shortfall sum from the Vendors.</p> <p>However, the Shortfall will be capped at the maximum sum of RM14.0 million and will not take into account any loss that goes beyond the aggregate audited PBT of Metahub to the Profit Guarantee for the Guaranteed Financial Years (“Actual Aggregate PBT”) of Metahub computed for the Guaranteed Financial Years.</p> <p>There can be no assurance that the Vendors will pay the Shortfall amount if the value of the Pledged Consideration Shares is insufficient to make up for the Shortfall as it is subject to share price fluctuations. However, we are of the view that the security for the Profit Guarantee is reasonable based on the following considerations:</p> <ul style="list-style-type: none"> (i) the Profit Guarantee is entirely secured via 4,745,763 new PUB Shares (RM14.0 million at RM2.95 per Consideration Share) and includes a mechanism to address the uncertainty in the value of the Pledged Consideration Shares which is subject to share price fluctuations; (ii) if the Vendors fail to fulfil their payment obligation on the Shortfall within 30 days from the Audited Accounts Approval Date for the FYE 2025, PMSB may instruct the Escrow Agent to sell the remaining Pledged Consideration Shares and transfer the proceeds arising therefrom to PMSB. If the Vendors fail to pay the sum of loss in value from the sale of the Pledged Consideration Shares, the Purchaser will be entitled to legal remedies such as specific performance and/ or claim of damages from the Vendors as set out in Sections 4.7, 6 and 8.1 of Appendix II of the Circular; and

EXECUTIVE SUMMARY (Cont'd)

Section in This IAL	Area of Evaluation	Commentary
		<p>(iii) if there is any surplus from the difference between the proceeds arising from the sale of the Pledged Consideration Shares and the Shortfall sum that remains unpaid to PMSB, PMSB is entitled to retain the surplus and utilise all or any such moneys to satisfy the commissions and costs incurred for the sale of the Pledged Consideration Shares, as it deems appropriate.</p> <p>While the Profit Guarantee based on PBT is not as common as compared to PAT, we are of the view that using PBT for the Profit Guarantee is acceptable given that PBT is a good measurement for financial performance and it has taken into consideration all revenue and cost components of the income statement, save for taxation. Further, the provision of Profit Guarantee serves as an added comfort to mitigate any potential uncertainties associated with the Proposed Acquisition.</p> <p>We also note that the achievability of the Profit Guarantee as well as the profit forecast and projections are dependent on the increased production capacity for recycled aluminium, recycled copper and wastewater; and the increased production capacity for recycled aluminium and wastewater are subject to the approval by the DOE (“DOE Approval”). For information purposes, Metahub had on 12 August 2024, received the DOE Approval to increase its wastewater reprocessing capacity whilst the DOE Approval for increased aluminium reprocessing capacity is still pending.</p> <p>Nevertheless, there are 2 mitigation measures to address the uncertainty of the DOE Approval (for increased aluminium reprocessing capacity) as follows:</p> <ul style="list-style-type: none"> (i) the Vendors have provided their continuing warranties that the DOE Approval will be obtained within 6 months from the completion of the Proposed Acquisition, or such other period PMSB and the Vendors may otherwise mutually agree in writing and in any such event within the timeline as required by the relevant authorities; and (ii) there is an indemnification provision from the Vendors for the breach of the Vendors’ continuing warranties in connection with the DOE Approval. The Vendors have undertaken and agreed to pay and to indemnify fully PMSB or Metahub (as PMSB may choose) for any loss, cost, expense, damage, consequence or third-party claim for damages suffered directly or indirectly by PMSB. <p>Premised on the above, we are of the view that the Profit Guarantee is reasonable.</p>

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EXECUTIVE SUMMARY (Cont'd)

Section in This IAL	Area of Evaluation	Commentary
Section 6.4	Evaluation of the Issue Price of the Consideration Shares	<p>Based on our evaluation, we are of the view that the Issue Price of the Consideration Shares is fair based on the following considerations:</p> <ul style="list-style-type: none"> (i) the Issue Price per Consideration Share is within the highest and lowest traded market prices of the PUB Shares for the past 1 year preceding the LTD and up to the LTD; (ii) the discounts ranging from RM0.1700 to RM0.6226 (5.45% to 17.43%) to the last transacted market price of PUB Shares as at the LTD and the LPD as well as the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of PUB Shares up to the LTD and the 5-day VWAP up to the LPD are generally in line with discount rates for corporate exercises involving the issuance of shares in the market; and (iii) the full settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow the Group to conserve cash without material impact on its cash flows as opposed to being settled in cash. The Group is also not required to increase its borrowings to fund the Proposed Acquisition and will not incur additional interest costs from borrowings.
Section 6.5	Salient terms of the SPA	<p>We have reviewed the salient terms of the SPA and are of the view that the salient terms are generally on normal commercial terms for transactions of such nature and are reasonable.</p>
Section 6.6	Risk factors of the Proposed Acquisition	<p>In evaluating the Proposed Acquisition, you should carefully consider the risk factors as set out in Section 5 of Part A of the Circular as follows:</p> <ul style="list-style-type: none"> (i) Risk of not achieving Metahub's profit forecast and projections or the Profit Guarantee; (ii) Acquisition risk; (iii) Completion risk; and (iv) Risks associated with the metal recycling and reprocessing business. <p>We wish to highlight that although efforts and measures would be taken by the Board and the management of PUB to limit/mitigate the risks associated with the Proposed Acquisition, no assurance can be given that the abovementioned risk factors will not occur and give rise to material and adverse impact on the operation and business of PUB, financial positions and/or PUB's prospects thereon.</p>
Section 6.7	Industry overview, outlook and future prospects of the enlarged Group	<p>Premised on the positive outlook of the recycling industry and metal recycling industry and the increasing demand for environmental, social, and governance practices due to the focus of international governments and corporations on addressing environmental issues, the Group is well placed towards realising a sustainable future, upon completion of the Proposed Acquisition.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in This IAL	Area of Evaluation	Commentary
Section 6.8	Effects of the Proposed Acquisition	<p>(1) The Proposed Acquisition will increase the share capital of PUB from RM84.90 million to RM135.90 million (or from 83,829,652 Shares to 101,117,788 Shares) as the consequential effect arising from the issuance of the Consideration Shares.</p> <p>(2) The Proposed Acquisition will increase the pro forma NA as at 31 December 2023 from RM76.56 million to RM127.06 million (or from NA per PUB Share of RM0.91 to RM1.26); and will reduce the pro forma gearing of the Group from 0.15 times to 0.09 times.</p> <p>(3) Save for the Profit Guarantee, the Proposed Acquisition is not expected to have any immediate material effect on the earnings and EPS of the Group for FYE 2024. Nevertheless, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the earnings and the EPS of the Group in future financial years.</p> <p>(4) The issuance of the Consideration Shares will result in an increase in the shareholding of the Executive Chairman and Major Shareholder of PUB, whereby Koon Hoi Chun's shareholding will increase from 50.0% (2.31% direct shareholdings; 47.69% indirect shareholdings through his 100% equity interests in ACSB to 55.14% (1.92% direct shareholdings; 53.22% indirect shareholdings through his equity interests in ACSB and IASB).</p> <p>Premised on the above, we are of the view that the overall financial effects arising from the Proposed Acquisition are not detrimental to the non-interested shareholders of PUB.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and have set out our evaluation in Section 6 of this IAL. Non-interested shareholders of PUB should carefully consider the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those set out above and other considerations as enumerated in this IAL, the Circular and the appendices.

Based on our assessment and evaluation, we are of the opinion that the Proposed Acquisition is **fair** and **reasonable** and **not detrimental** to the non-interested shareholders of PUB. Accordingly, we recommend that the non-interested shareholders of PUB **vote in favour** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

As far as our analyses and assessment contained in the IAL are concerned, we have considered factors which we believe to be of general relevance to the non-interested shareholders of PUB as a whole. We have not taken into consideration any specific investment objective, financial situation, risk profile and particular need of any individual non-interested shareholder of PUB or any specific groups of non-interested shareholders of PUB.

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Registered Office:

Lot 805, Blok F
Pusat Perdagangan Phileo
Damansara 1
Jalan 16/11, Off Jalan
Damansara
46350 Petaling Jaya
Selangor, Malaysia

Place of Business:

Unit 906, Level 9, Block A
Pusat Perdagangan Phileo
Damansara 1
No. 15 Jalan 16/11 Off Jalan
Damansara
46350 Petaling Jaya
Selangor, Malaysia
Tel: (603) 7968 3398
Fax: (603) 7954 2299

15 October 2024

To: The non-interested shareholders of Paragon Union Berhad

Dear Sir/Madam,

PARAGON UNION BERHAD (“PUB” OR “COMPANY”)

**INDEPENDENT ADVICE LETTER (“IAL”) TO THE NON-INTERESTED SHAREHOLDERS OF PUB
IN RELATION TO THE PROPOSED ACQUISITION**

This IAL is prepared for the inclusion in the circular to the shareholders of PUB dated 15 October 2024 (“Circular”) in relation to the Proposed Acquisition. All definitions or defined terms used in this IAL shall have the same meanings and expressions as defined in the Definitions section of and throughout the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 27 May 2024, UOBKH had, on behalf of the Board, announced that PMSB (a wholly owned subsidiary of PUB), had on even date entered into the SPA with the Vendors for the Proposed Acquisition.

Based on the terms of the SPA, the Vendors have provided PUB with the Profit Guarantee, translating to an aggregate audited PBT of RM14.0 million for the Guaranteed Financial Years.

On 30 September 2024, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 30 September 2024, approved the listing and quotation of 17,288,136 Consideration Shares to be issued pursuant to the Proposed Acquisition, subject to the conditions set out in Section 9 of Part A of the Circular.

The Proposed Acquisition is deemed as an RPT pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Parties, as set out in Section 10 of Part A of the Circular.

Accordingly, the Board (save for the Interested Director) had on 5 March 2024, appointed MainStreet to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of PUB in respect of the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested shareholders of PUB with an independent evaluation on the Proposed Acquisition together with our commentary, opinion and recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposed Acquisition.

Nevertheless, the non-interested shareholders of PUB should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before voting on the resolution pertaining to the Proposed Acquisition at the Company's forthcoming EGM.

This IAL is prepared solely for the non-interested shareholders of PUB to consider the Proposed Acquisition and should not be used or relied upon by any other party or for any other purpose whatsoever.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

The full details of the Proposed Acquisition are set out in Section 2 of Part A of the Circular, which should be read in its entirety by the non-interested shareholders of PUB.

3. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED ACQUISITION

We were not involved in the formulation, deliberation, negotiation or discussion of the terms and conditions of the Proposed Acquisition nor were we involved in the deliberations leading up to the decision by the Board in respect of the Proposed Acquisition.

The terms of reference of our appointment as the Independent Adviser to the non-interested Directors and non-interested shareholders of PUB in relation to the Proposed Acquisition are in accordance with the requirements set out in Paragraph 10.08 of the Listing Requirements as stated in Section 1 of Part A of the Circular and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisition together with our recommendation on whether you should vote in favour of the resolution pertaining to the Proposed Acquisition, based on the information and documents requested and provided to us or which are available to us, including the following:

- (i) information contained in Part A of the Circular, and the appendices attached thereto;
- (ii) the SPA;
- (iii) Valuation Certificate issued by AER;

- (iv) the audited financial statements of Metahub for the past 3 financial years from FYEs 2021 to 2023 and the latest unaudited financial statements of Metahub for the 7-month ended 31 July 2024;
- (v) Future Financials of Metahub;
- (vi) other relevant information, documents, confirmations and representation furnished to us by the board of directors and management of Metahub;
- (vii) the annual reports of PUB for the past 3 financial years from FYEs 2021 to 2023 and the latest unaudited financial statements of PUB for the 6-month ended 30 June 2024;
- (viii) other relevant information, documents, confirmations, and representations furnished to us by the Board and the management of PUB; and
- (ix) other relevant publicly available information.

We have relied on the Board and management of PUB as well as the board of directors and management of Metahub to exercise due care to ensure that all information, documents, confirmations, and representations provided to us to facilitate our evaluation of the Proposed Acquisition are complete, reasonable, reliable, and accurate and there is no omission of any material facts.

After making all reasonable enquiries and to the best of our knowledge, we are satisfied that sufficient information has been obtained and we are of the view that the information used is reasonable, accurate, complete and free from material omission. The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the views and recommendation of MainStreet) and confirms that, after having made all reasonable enquiries and to the best of their knowledge, there are no omissions of any material facts which would make any statement in this IAL false or misleading.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance to you for a holistic assessment of the Proposed Acquisition and, therefore, are of general concern to you. Notwithstanding the following:

- (i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposed Acquisition; and
- (ii) we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual shareholder or any specific groups of shareholders. If you require specific advice in relation to the Proposed Acquisition in the context of your individual investment objectives, financial situation, risk profile or particular needs, we recommend that you consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, the equity capital market, economic, industry, regulatory and other prevailing conditions and the information/documents made available to us as at the LPD. It is also based on the assumption that the parties to the SPA are able to fulfil their respective obligations in accordance with the terms and conditions of the SPA.

After the despatch of this IAL, we will notify the non-interested shareholders of PUB, if we become aware of the following:

- (i) significant change materially affecting the information contained in the IAL;
- (ii) there is reason to believe that the statements in the IAL are misleading/deceptive; and
- (iii) there is material omission in the IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders of PUB.

4. **DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE**

MainStreet confirms that there are no circumstances which exist or are likely to give rise to a possible conflict of interest situation for MainStreet to carry out the role as the Independent Adviser in connection with the Proposed Acquisition. Save for the current appointment as the Independent Adviser, we did not have any other professional relationship with PUB at any time during the past 2 years prior to the date of this IAL.

MainStreet is a corporate finance advisory firm licensed by the Securities Commission Malaysia (“**SC**”) to carry out the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007. We have in the past assumed the role as an Independent Adviser for other corporate exercises, which included the following RPTs for the past 2 years:

- (i) Proposed disposal of 100% equity interest in Seng Yip Furnitures Sdn Bhd (a wholly owned subsidiary of SYF Resources Berhad (“**SYF**”)) to Mico Chipboard Berhad for a total cash consideration of RM50.0 million; proposed disposal of 2 parcels of freehold land to Juta Development Sdn Bhd for a total cash consideration of RM21.2 million; proposed acquisition of the entire equity interest and redeemable convertible preference shares in M&A Securities Sdn Bhd by SYF from Insas Berhad (“**Insas**”) for a purchase consideration of RM222.0 million (“**Proposed Acquisition of M&A Securities**”); and proposed exemption under subparagraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC (“**Rules**”) for Insas and the persons acting in concert with it from the obligation to undertake a mandatory take-over offer to acquire the remaining shares in SYF not already owned by them upon completion of the Proposed Acquisition of M&A Securities, as per our independent advice letter dated 28 December 2022;
- (ii) Proposed acquisitions of 3 industrial properties by RHB Trustees Berhad, being the trustee of AME Real Estate Investment Trust, from the subsidiaries of AME Elite Consortium Berhad for a total cash consideration of RM69,250,000, as per our independent advice letter dated 10 February 2023;
- (iii) Proposed private placement of 240,405,370 new ordinary shares in LFE Corporation Berhad (“**LFE**”), representing approximately 30.0% of the total number of issued shares in LFE; and proposed acquisition of 367,500 ordinary shares in Cosmo Property Management Sdn Bhd (“**CPMSB**”), representing the remaining 49.0% equity interest in CPMSB from Resolute Accomplishment Sdn Bhd for a purchase consideration of RM29,400,000 to be satisfied via a combination of cash and the issuance of new shares in LFE, as per our independent advice letter dated 12 April 2023;

- (iv) Proposed acquisitions by Maxim Global Berhad of the following:
- 100% equity interest in Zapland Property Sdn Bhd from Gan Lee Ha and Lee Cheh Hian for a purchase consideration of RM39,034,668.65;
 - 100% equity interest in Asiatic Network Sdn Bhd from Chai Chang Guan and Chai Seong Min for a purchase consideration of RM32,196,845.87;
 - 100% equity interest in Brogan Maxim Sdn Bhd from Tan Sri Gan Seong Lam and Gan Kuok Chyuan for a purchase consideration of RM21,411,281.71;
 - 100% equity interest in Maxim Realty Sdn Bhd from Tan Sri Gan Seong Liam and Puan Sri Loh Foong Ping for a purchase consideration of RM10,757,108.81; and
 - 13.11% equity interest in Maxim Holdings Sdn Bhd from Sanlens Sdn Bhd for a purchase consideration of RM15,600,094.96,
- as per our independent advice letter dated 20 July 2023;
- (v) Proposed disposal by Eurospan Holdings Berhad of the entire equity interest in Dynaspan Furniture Sdn Bhd (“**DFSB**”) to Guan Kok Beng, Guan Shaw Kee and Guan Shaw Yin for RM38.90 million; proposed disposal of 2 parcels of freehold industrial land to DFSB for RM15.65 million and proposed tenancy between DFSB and Eurospan Furniture Sdn Bhd, as per our independent advice letter dated 20 November 2023;
- (vi) Proposed acquisition by Iconic Worldwide Berhad of the entire equity interest in Goldenluck Development Sdn Bhd from Dato’ Seri Tan Kean Tet (“**DS Tan**”) and Tan Seok Ying for a cash consideration of RM39.80 million; and proposed exemption under paragraphs 4.08(1)(b) and 4.08(1)(c) of the Rules to DS Tan and any persons acting in concert with him from the obligation to undertake a mandatory take-over offer on the remaining ordinary shares in Iconic Worldwide Berhad not already owned by them, pursuant to the undertaking to subscribe for the rights shares (including excess rights shares) and exercise of warrants by DS Tan and any persons acting in concert with him, as per our independent advice letter dated 7 December 2023;
- (vii) Proposed partial settlement of outstanding financing facilities given by the financiers to Boustead Heavy Industries Corporation Berhad (“**BHIC**”) via a combination of cash, issuance of new ordinary shares in BHIC (“**BHIC Shares**”), redeemable convertible preference shares (“**RCPS**”) - Class A in BHIC and Islamic RCPS - Class A in BHIC; and proposed full settlement of amounts owing to Boustead Holdings Berhad by BHIC amounting up to RM234,000,000 as at 31 December 2023 via combination of issuance of new BHIC Shares, RCPS - Class B in BHIC and redeemable preference shares - Class C in BHIC, as per our independent advice letter dated 14 December 2023;
- (viii) Proposed disposal by JKB Development Sdn Bhd (a wholly owned subsidiary of Jasa Kita Berhad, of a parcel of leasehold industrial land to Urban Reach Sdn Bhd (a 55%-owned subsidiary of FCW Holdings Berhad), for a cash consideration of RM43.08 million, as per our independent advice letter dated 28 December 2023; and
- (ix) Proposed acquisition by Delight Island Sdn Bhd, a wholly owned indirect subsidiary of Ewein Berhad (“**Ewein**”), of a parcel of vacant industrial land located in Seberang Perai Utara, Pulau Pinang from Magnum Heritage Sdn Bhd, for a cash consideration of RM25.84 million and proposed acquisition by Ewein of the entire equity interest of VS Solution Services Sdn Bhd from Ooi Eng Leong, Goh Kiang Teng, Goh Yin Ze and Chew Tien Kee for RM32.0 million; as per our independent advice letter dated 13 June 2024.

Premised on the foregoing, we confirm that we are capable and competent to carry out the role of Independent Adviser to advise the non-interested Directors and the non-interested shareholders of PUB in relation to the Proposed Acquisition.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

The interests of the Interested Director, interested Major Shareholders, chief executive and/or persons connected with them are disclosed in Section 10 of Part A of the Circular. Save for Koon Hoi Chun (the Interested Director, a Major Shareholder of PUB and a major shareholder of Metahub) and ACSB (a Major Shareholder of PUB and wholly-owned by Koon Hoi Chun), as disclosed in Section 10 of Part A of the Circular, none of the other Directors, Major Shareholders, chief executive and/or persons connected to them have any interests, direct or indirect, in the Proposed Acquisition.

6. OUR EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following factors:

No.	Factors	Details in this IAL
1.	Rationale and justifications for the Proposed Acquisition	Section 6.1
2.	Evaluation of the basis and justification in arriving at the Purchase Consideration	Section 6.2
3.	Evaluation of the Profit Guarantee	Section 6.3
4.	Evaluation of the Issue Price of the Consideration Shares	Section 6.4
5.	Salient terms of the SPA	Section 6.5
6.	Risk factors of the Proposed Acquisition	Section 6.6
7.	Industry overview, outlook and future prospects of the enlarged Group	Section 6.7
8.	Effects of the Proposed Acquisition	Section 6.8

6.1 Rationale and justifications for the Proposed Acquisition

We take note of the rationale and justifications for the Proposed Acquisition as set out in Section 3 of Part A of the Circular.

The Group is principally involved in the following business segments:

- (i) Automotive: manufacturing and trading in car carpets and automotive components;
- (ii) Commercial: manufacturing and sale of commercial carpets; and
- (iii) Recycling: recycling and reprocessing of metals.

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A summary of key financial information of the PUB Group for the last 3 financial years up to FYE 2023 and the latest unaudited 6-month FPE 30 June 2024 is set out below:

Business segment	←----- Audited ----->						Unaudited	
	FYE 2021		FYE 2022		FYE 2023		6-month FPE 30 June 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue								
- Automotive	33,994	84.05	50,810	83.36	47,550	51.87	25,778	50.75
- Commercial	6,451	15.95	10,146	16.64	11,619	12.68	5,108	10.05
- Recycling	-	-	-	-	32,499	35.45	19,911	39.20
Total	40,445	100.00	60,956	100.00	91,668	100.00	50,797	100.00
(LAT)/PAT								
- Automotive	(7,599)	49.34	(1,132)	19.90	10,631 ⁽¹⁾	116.20	792	(159.36)
- Commercial	(5,169)	33.56	(3,252)	57.16	(420)	(4.59)	(1,021)	205.43
- Recycling	(248)	1.61	(498)	8.75	396	4.33	266	(53.52)
- Others ⁽²⁾	(2,385)	15.49	(807)	14.19	(1,458)	(15.94)	(534)	107.45
Total	(15,401)	100.00	(5,689)	100.00	9,149	100.00	(497)	100.00

Notes:

- (1) The Group recognised exceptional profit due to a gain on disposal of a parcel of leasehold industrial land amounting to RM11.45 million and insurance compensation of RM3.13 million in relation to a flood that occurred in December 2021.
- (2) Other non-reportable segments comprise operations to subsidiary companies which are dormant.

Prior to the restructuring strategy in 2023, the Group's core businesses comprised the Automotive and Commercial segments. However, both business segments faced challenges and suffered losses since FYE 2020 due to the following factors:

- (i) rising raw material prices and shipping costs which resulted in higher operating costs;
- (ii) volatility in supply chain; and
- (iii) unfavourable exchange rates which affected the Group's margin and price competitiveness.

On 25 January 2021, ACSB, a company wholly owned by Koon Hoi Chun (the current Executive Chairman and Major Shareholder of PUB), had acquired approximately 60.41% equity interest in PUB for a total cash consideration of RM21.99 million or RM0.55 per PUB Share. ACSB then launched an unconditional mandatory take-over offer pursuant to Paragraph 4.01 of the Rules, for all the remaining PUB Shares not owned by ACSB and Koon Hoi Chun at the offer price of RM0.55 per PUB Share ("**2021 Takeover**").

Following the 2021 Takeover, the resultant shareholdings of ACSB and Koon Hoi Chun was approximately 57.82% (diluted as a result of PUB granting 2,969,360 treasury shares to eligible executives pursuant to an employee share scheme at the time) and subsequently Koon Hoi Chun assumed control of PUB as its Executive Chairman and Major Shareholder.

To address the poor financial performance, as well as the challenging outlook for its existing businesses, the Group had obtained the shareholders' approval on 6 January 2023 to undertake a diversification exercise. This was also intended to leverage on Koon Hoi Chun's experience and expertise in the business of sales, management and recycling of industrial waste through his past employment and companies that he owns as set out below:

Year	Company	Role in the company
2001	Press Metal UK Ltd	Managed the operations of sales of aluminium scaffolding and ladders throughout the United Kingdom
2015	KYH Trading Sdn Bhd	Established KYH Trading Sdn Bhd, a company focusing on collecting, sorting and cleaning of industrial waste and metal scraps, namely aluminium and copper, and exporting to international markets
2021	Technovate Holdings Sdn Bhd	Managing Director and substantial shareholder of Technovate Holdings Sdn Bhd, a company involved in the management of industrial waste, which includes recycling and reprocessing industrial waste and metal scraps into ingots

Review of financial performance since the diversification exercise

FYE 2023 vs FYE 2022

Pursuant to the diversification in January 2023, the Group's revenue improved by RM30.71 million or 50.38% from RM60.96 million in FYE 2022 to RM91.67 million in FYE 2023. The increase in revenue was mainly driven by the newly diversified Recycling Business, contributing approximately RM32.50 million or 35.45% to the total revenue of the Group. In conjunction with the Group's increase in revenue, the Group recorded PBT of RM9.25 million for the FYE 2023 (FYE 2022: LBT of RM5.64 million).

However, the PBT recorded was primarily attributable to an increase in the Group's other operating income, comprising insurance claims of RM3.13 million and a gain on disposal of property, plant and equipment ("PPE") of RM11.45 million, following the disposal of a parcel of leasehold industrial land for a cash consideration of RM17.50 million.

6-month FPE 30 June 2024 vs 6-month FPE 30 June 2023

For the 6-month FPE 30 June 2024, the Group's revenue increased by 37.23% to RM50.80 million (6-month FPE 30 June 2023: RM37.02 million). The increase in revenue was primarily due to an increase in revenue for the Group's Recycling Business, which rose by 153.95% to RM19.91 million (6-month FPE 30 June 2023: RM7.84 million), attributable to the business segment securing a more stable customer base in its second year of operation.

Due to increase in revenue from the Recycling Business, the Group's LBT decreased by 72.38% to RM0.50 million for the 6-month FPE 30 June 2024 (6-month FPE 30 June 2023: RM1.81 million).

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6.1.1 Enable the Group to expand its Recycling Business to improve its financial performance in the future

Metahub is involved in the business of recovery and reprocessing of precious metals such as aluminium, copper, tin and nickel from production wastes, the collection and processing of production wastewater and the trading of excess scrap waste. The company operates its business in Skudai, Johor and derives revenue from the following activities:

(i) Recovery and reprocessing:

- Metals - collects electronic scraps from electronic companies and subsequently sorts and processes the waste to recover recycled metals such as aluminium, copper, tin and nickel by smelting the electronic scraps to its melting points in specially dedicated furnaces; and
- Wastewater - collects and processes production wastewater by treating the wastewater and removing unwanted particles such as polycyclic aromatic hydrocarbons and particulate matter.

(ii) Trading of scrap industrial waste

After sorting the electronic scrap collected from customers, Metahub trades the excess scrap waste which cannot be recycled or reprocessed.

A summary of the audited financial statements of Metahub for the past 3 FYEs up to FYE 2023 and the latest unaudited financial statements for the 7-month FPE 31 July 2024 is set out below:

	<----- Audited ----->			Unaudited
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	7-month FPE 31 July 2024 RM'000
Revenue	14,217	14,572	9,195	20,301
Other income	882	5,758 ⁽¹⁾	681	125
Gross profit ("GP")/ (Gross loss) ("GL")	692	1,341	(1,162)	2,022
PBT/ (LBT)	221	5,497 ⁽²⁾	(1,927)	973
PAT/ (LAT)	100	5,208 ⁽²⁾	(1,602)	740 ⁽³⁾
NA	23,037	28,245	26,643	27,616
Total borrowings	846	656	457	338
Cash and cash equivalents	3,795	9,707	3,618	2,974
No. ordinary shares in issue ('000)	1,000	1,000	1,000	1,000
Current assets	10,648	14,351	8,454	9,096
Current liabilities	4,229	1,822	1,778	1,357
GP/ (GL) margin (%)	4.87	9.20	(12.64)	9.96
PBT/ (LBT) margin (%)	1.56	37.72	(20.95)	4.79
PAT/ (LAT) margin (%)	0.70	35.74	(17.42)	3.65
EPS/ (LPS) (RM)	0.10	5.21	(1.60)	0.74 ⁽³⁾
NA per share (RM)	23.04	28.24	26.64	27.62
Current ratio (times)	2.52	7.88	4.76	6.70
Gearing (times)	0.04	0.02	0.02	0.01

Notes:

- (1) *Other income mainly comprises gain on disposal of PPE of RM4.34 million and rental income of RM1.20 million.*
- (2) *PBT and PAT after excluding one-off item, (i.e. gain on disposal of PPE of RM4.34 million) would be approximately RM1.16 million and RM0.87 million, respectively.*
- (3) *The PAT figure is computed illustratively based on the corporate tax rate of 24%.*

Based on the table above, we noted that Metahub recorded losses in FYE 2023. This was primarily due to the restructuring of operations and management as a result from the emergence of a new major shareholder, IASB (a company that is indirectly 80%-owned by Koon Hoi Chun, the Executive Chairman and Major Shareholder of PUB) in December 2022. During the transitional phase under the new management, revenue was affected partly due to the upgrading of wastewater plant to enable the company to increase its wastewater reprocessing capacity.

Following the internal restructuring undertaken by the new management, Metahub's financial performance improved from a loss-making position amounting to LBT of RM1.93 million for the FYE 2023 to a PBT of RM0.97 million for the 7-month FPE 31 July 2024. We note that the improved performance is attributed by the increased activity and volume of its trading business in the current financial year to a larger scale by engaging new customers and suppliers, while pending the DOE Approval. As some of these new customers and suppliers are also involved in the business of manufacturing metals or goods that require metal as a component, they may also engage Metahub for its aluminium and copper reprocessing services moving forward.

Prior to FYE 2020, Metahub was already involved in the recovery and reprocessing of recycled aluminium and copper, albeit at a smaller scale. In 2020, the annual production of recycled aluminium and copper were 30 MT and 20 MT respectively. Between 2021 – 2023, there were no production of recycled aluminium and copper and Metahub only focused on wastewater treatment and trading of scrap industrial waste.

To expand its revenue, Metahub planned to increase its annual recycled reprocessing capacity from its existing reprocessing plants in Skudai, Johor. In order to increase its reprocessing capacity, Metahub has to upgrade its reprocessing plants to be in compliance with the DOE standards.

In January 2024, Metahub completed the upgrade of its aluminium and wastewater reprocessing plants, in conjunction with its application to increase the annual reprocessing capacity for aluminium (from 2,400 MT to 36,000 MT) and wastewater (from 2,400 MT to 30,000 MT). On 12 August 2024, Metahub obtained the DOE Approval to increase its wastewater reprocessing capacity from 200 MT per month to 2,500 MT per month (i.e. 2,400 MT per year to 30,000 MT per year). With this approval, the management of Metahub is in the midst of negotiations with existing and potential customers to process wastewater at a larger capacity, which is anticipated to gradually commence in October 2024. Further, Metahub does not expect its fixed production costs (such as depreciation and labour cost) to increase significantly in conjunction with the increase in capacity for its wastewater business, as Metahub's wastewater reprocessing plant has already been upgraded in January 2024 to cater for the increased reprocessing capacity, thereby improving the margins of Metahub's wastewater reprocessing business.

Separately, the management of Metahub anticipates to obtain the DOE Approval for the increase in its aluminium reprocessing capacity in the fourth quarter of 2024. Further details of the increased reprocessing capacity are set out in Section 6.2.1 of this IAL and Section 4.4 of Part A of the Circular.

Metahub is also upgrading its copper reprocessing plant which is expected to be completed by the fourth quarter of 2024 and it has a maximum reprocessing capacity of 1,560 MT per month. The recovery and reprocessing of recycled copper does not require a license from the DOE. Unlike recycled aluminium, copper in scrap or fixed form is not categorised as scheduled waste which possess hazardous characteristics and is potentially harmful to the public's health and the environment. Upon commencement of the operations of Metahub's copper reprocessing plant, Metahub can begin reprocessing these copper scraps at an estimated capacity of approximately 1,000 - 1,300 MT per month.

In conjunction with the increase in reprocessing capacity of Metahub's aluminium and copper businesses, Metahub will obtain more scrap waste from its customers, which will also increase the number of scrap waste that Metahub trades, thereby enhancing the revenue contribution of its trading business.

Presently, PUB Group (via PMSB) is engaged in the downstream trading of recycled products including aluminium ingots, aluminium pallets, carbons blocks and carbon powder. This involves the purchase of metal scrap materials, outsourcing it to third parties for sorting and treatment, and the subsequent sale of these semi-finished materials to local smelter plants.

With the Proposed Acquisition, the Group is expected to move upstream in the Recycling Business, where Metahub may facilitate the sorting and treatment of metal scrap materials (i.e. aluminium and copper) in-house, rather than outsourcing it to third parties. This may potentially result in higher margins, as the Group will no longer engage external parties for such services.

Further, the Proposed Acquisition will enable both companies to leverage on the experience and expertise of Koon Hoi Chun in the business of sales, management and recycling of industrial waste and the infrastructure of PMSB combined with Metahub, to create synergistic benefits such as increased customer base from the enlarged Group and the sharing of workforce and production facilities to minimise costs and improve gross margins.

6.1.2 The Group is provided with the Profit Guarantee

Based on the terms of the SPA, the Vendors have provided PUB with the Profit Guarantee (at least RM6.0 million in FYE 2024 and RM8.0 million in FYE 2025). This translates to an aggregate audited PBT of RM14.0 million for the Guaranteed Financial Years.

While the Profit Guarantee based on PBT is not as common as compared to PAT, we are of the view that using PBT for the Profit Guarantee is acceptable given that PBT is a good measurement for financial performance and it has taken into consideration all revenue and cost components of the income statement, save for taxation. Further, the provision of Profit Guarantee serves as an added comfort to mitigate any potential uncertainties associated with the Proposed Acquisition.

Furthermore, if Metahub fails to meet the Profit Guarantee during the Guaranteed Financial Years, the Group may claim a shortfall amount from the Vendors in cash. This safeguards the Group on the recovery of any Shortfall and ensures that the financial performance of the Group is not affected by the Shortfall.

While we note that the Board is of the opinion that the Profit Guarantee is achievable and that the Group may be safeguarded by the guaranteed earnings, there can be no assurance that the Profit Guarantee will be met due to uncertainties and contingencies outside the control of the management of Metahub.

Please refer to Sections 6.3 and 6.6.1 of this IAL on our evaluation of the Profit Guarantee and risk of not achieving the Profit Guarantee, respectively.

6.1.3 Full settlement of the Purchase Consideration via issuance of Consideration Shares will allow the Group to conserve cash

The issuance of Consideration Shares to fully satisfy the Purchase Consideration will enable the Group to conserve cash without material impact on its cash flows as opposed to the Purchase Consideration being settled in cash. The Group is also not required to increase its borrowings to fund the Proposed Acquisition and will not incur additional interest costs from borrowings.

Although the issuance of the Consideration Shares to satisfy the Proposed Acquisition will have a dilutive effect on the existing non-interested shareholders' shareholdings, the Proposed Acquisition is expected to generate positive results to the Group in the future.

In view of the positive outlook of the recycling and metal recycling industries in Malaysia as set out in Sections 4.2 and 4.3 of Part A of the Circular and premised on our evaluation above, the Proposed Acquisition may augur well for the growth prospects of the Group in the medium to long term.

Based on the above, we are of the view that the rationale and justifications for the Proposed Acquisition are reasonable. Nevertheless, non-interested shareholders of PUB should note that the potential benefits arising from the Proposed Acquisition are subject to certain risk factors as disclosed in Section 5 of Part A of the Circular.

6.2 Evaluation of the basis and justification of the Purchase Consideration

The basis and justification in arriving at the Purchase Consideration are set out in Section 2.2 of Part A of the Circular.

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis between PMSB and the Vendors, after taking into consideration the following:

- (i) the fair value of the entire equity interest in Metahub of approximately RM88.41 million (minimum value) to RM101.04 million (maximum value), based on the FCFE approach (being the primary approach), as appraised by AER, the Independent Valuer. The fair value range of 51.0% equity interest in Metahub is approximately RM45.10 million to RM51.50 million. In considering the Purchase Consideration, the Board has agreed to a price in the higher range of Metahub's fair value as ascribed by AER, after taking into consideration the future plans and growth prospects of Metahub as set out in Sections 3 and 4.4 of Part A of the Circular;
- (ii) the relative valuation approach, which AER used as the secondary approach to cross-check the results of the FCFE approach. Based on the fair value range of 51.0% equity interest in Metahub against the estimated PAT for FYE 2025 of RM13.0 million, the implied forward PE ratio is between 6.8 times and 7.8 times⁽¹⁾ and the implied forward EV/EBITDA is between 4.6 times and 5.3 times⁽²⁾;

Notes:

- (1) *Metahub's implied forward PE ratio of 6.8 times and 7.8 times is computed by dividing the minimum and maximum fair value of the entire equity interest in Metahub, (i.e. RM88.41 million and RM101.04 million, respectively), over the projected PAT of Metahub for the FYE 2025 of RM13.00 million.*
- (2) *The implied forward EV/EBITDA ratio of 4.6 times and 5.3 times is computed by dividing the minimum and maximum fair value of the entire equity interest in Metahub (i.e. RM88.41 million and RM101.04 million, respectively), by the projected EBITDA of Metahub for the FYE 2025 of RM19.12 million.*

- (iii) the Profit Guarantee of RM6.0 million for FYE 2024 and RM8.0 million for FYE 2025, translating to an aggregate audited PBT of RM14.0 million for the Guaranteed Financial Years; and
- (iv) the rationale, benefits and future prospects of the Proposed Acquisition as set out in Sections 3 and 4.4 of Part A of the Circular.

In evaluating the fairness of the Purchase Consideration, we have reviewed and assessed the Valuation Certificate as set out in Appendix IV of the Circular. AER had been appointed as the Independent Valuer by the Company to conduct a fair valuation of 51.0% equity interest in Metahub pursuant to the Proposed Acquisition. AER has adopted the FCFE approach as the primary approach and the relative valuation approach as a cross check on the fair valuation derived based on the primary approach.

AER had not adopted the cost-based approach which measures the net fair values of assets less the liabilities as this approach is suitable for a company that has substantial assets which are tangible based in nature. As at 31 December 2023, Metahub owns a piece of freehold land in Skudai, Johor with a carrying value of RM1.93 million. As the freehold land (stated at cost) only represents 6.67% of the company's total assets of RM28.95 million, we concur with AER's view that a cost-based approach is not a suitable method to value Metahub.

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6.2.1 Primary approach – FCFE

In arriving at the valuation for the 51.0% equity interest in Metahub, we noted that AER has selected the FCFE approach as the primary approach. FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration, amongst others, all net operating cash flows, net investing cash flows and net financing cash flows. As at 31 December 2023 (audited), the total borrowings of Metahub stood at RM0.46 million compared to net assets of RM26.64 million, which translates into a gearing ratio of less than 0.02 times.

The projected FCFE is based on the Future Financials for a 5-year period from FYEs 2024 to 2028 which has been prepared by the management of Metahub. The key bases and assumptions adopted by AER in the Future Financials together with MainStreet's commentary are set out below:

No.	Key bases and assumptions	MainStreet's commentary																										
1.	<p>(a) The projected revenue for the respective business segments is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">FYE</th> <th colspan="2">Recovery and Reprocessing</th> <th rowspan="2">Trading</th> </tr> <tr> <th>Aluminium</th> <th>Copper</th> </tr> </thead> <tbody> <tr> <td>2024</td> <td>6.0</td> <td>5.3</td> <td>40.0</td> </tr> <tr> <td>2025</td> <td>15.3</td> <td>16.8</td> <td>42.0</td> </tr> <tr> <td>2026</td> <td>15.3</td> <td>17.8</td> <td>44.1</td> </tr> <tr> <td>2027</td> <td>21.4</td> <td>18.7</td> <td>46.3</td> </tr> <tr> <td>2028</td> <td>21.4</td> <td>18.7</td> <td>48.6</td> </tr> </tbody> </table>	FYE	Recovery and Reprocessing		Trading	Aluminium	Copper	2024	6.0	5.3	40.0	2025	15.3	16.8	42.0	2026	15.3	17.8	44.1	2027	21.4	18.7	46.3	2028	21.4	18.7	48.6	<p>For recovery and reprocessing of metals, projected revenue is based on the assumed fee charges for each MT of recycled metals, while revenue from wastewater treatment is based on the assumed fee charges for each MT of collected production wastewater.</p> <p>Prior to FYE 2020, Metahub was already involved in the recovery and reprocessing of recycled aluminium and copper, albeit at a smaller scale. For the past 3 FYEs up to FYE 2023, Metahub did not generate revenue from the production of recycled aluminium and copper as the focus then was only on wastewater treatment and trading of scrap industrial waste.</p> <p>As part of its expansion plan, Metahub has decided to move forward with all 4 of its business segments (i.e. aluminium, copper, wastewater and trading) by leveraging on the experience and expertise of Koon Hoi Chun (in the business of sales, management and recycling of industrial waste) and capitalising on the increased capacity of its reprocessing plants which are expected to enhance its financial performance moving forward.</p> <p>A status summary of its reprocessing plants and the DOE Approval for increase in reprocessing capacity as at the LPD is as follows:</p>
FYE	Recovery and Reprocessing		Trading																									
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		<p>We note that 1 such customer, KYH Recycle Industries Sdn Bhd (“KYH Recycle”), has committed to engage Metahub’s aluminium recycling and reprocessing services through a commitment letter to enter into a 3-year contract with Metahub (commencing upon Metahub obtaining the DOE Approval for increase in its aluminium reprocessing capacity) for a monthly quantity of 1,000 - 2,200 MT at a selling price per MT of RM800 - RM900 (“KYH Commitment”), translating to approximately RM0.80 million - RM 1.98 million revenue per month. The KYH Commitment could substantially support the projected output and revenue from FYE 2024 to FYE 2027. The management of Metahub anticipates to obtain the DOE Approval for the increase in its aluminium reprocessing capacity in fourth quarter of 2024.</p> <p><u>Recovery and Reprocessing – copper segment</u></p> <p>As the copper reprocessing business is not contingent upon the DOE Approval, Metahub can begin reprocessing copper scraps at an estimated capacity of approximately 1,000 - 1,300 MT per month, upon completion of the upgrading of the copper reprocessing plant in fourth quarter of 2024. We note that Metahub is negotiating with new and existing customers and has recently entered into a memorandum of understanding with 2 new customers in mixed scrap waste business to engage Metahub’s copper recycling and reprocessing services for 2 years for a total quantity of 650 - 750 MT per month (“Copper MOU”). The selling price per MT has not been fixed at this juncture but based on assumed selling price per MT of RM900 - RM1,100, the expected revenue from the Copper MOU is approximately RM0.59 million to RM0.83 million per month.</p> <p><u>Recovery and Reprocessing – wastewater segment</u></p> <p>Additionally, for its wastewater reprocessing business, Metahub had, on 12 August 2024, obtained the DOE Approval to treat wastewater up to 2,500 MT per month (i.e. 30,000 MT per year). In anticipation of the increased capacity, Metahub has commenced negotiations with current and new customers in recent months such as food manufacturers as well as plastic and chemical manufacturers.</p>

No.	Key bases and assumptions	MainStreet's commentary																																																
		<p>Based on negotiations, the management of Metahub anticipates these new customers to contribute an additional volume of 1,000 – 1,300 MT per month from 150 MT per month to 1,150 – 1,450 MT per month. Moving forward, the management of Metahub will seek out further customers with the aim of operating its wastewater reprocessing business at a higher capacity.</p> <p><u>Recovery and Reprocessing – aluminium, copper and wastewater segments</u></p> <p>Accordingly, based on current negotiations with its current and new customers, the management of Metahub has provided an estimated revenue for its recovery and reprocessing businesses as follows:</p> <table border="1" data-bbox="683 80 1375 999"> <thead> <tr> <th data-bbox="683 394 783 999">Scenario</th> <th data-bbox="683 253 783 394">Monthly output MT</th> <th data-bbox="683 136 783 253">Annual output MT</th> <th data-bbox="683 80 783 136">Annual revenue RM million</th> </tr> </thead> <tbody> <tr> <td colspan="4" data-bbox="783 80 823 999">Aluminium</td> </tr> <tr> <td data-bbox="823 394 863 999">- Current production as at the LPD</td> <td data-bbox="823 253 863 394">100</td> <td data-bbox="823 136 863 253">1,200</td> <td data-bbox="823 80 863 136">1.0</td> </tr> <tr> <td data-bbox="863 394 919 999">- Based on current negotiations (FYE 2025)⁽¹⁾</td> <td data-bbox="863 253 919 394">1,000 - 2,400</td> <td data-bbox="863 136 919 253">12,000 - 28,800</td> <td data-bbox="863 80 919 136">10.2 - 24.5</td> </tr> <tr> <td data-bbox="919 394 991 999">- Management's projection (FYE 2025)⁽¹⁾⁽²⁾</td> <td data-bbox="919 253 991 394">1,500</td> <td data-bbox="919 136 991 253">18,000</td> <td data-bbox="919 80 991 136">15.3</td> </tr> <tr> <td colspan="4" data-bbox="991 80 1031 999">Copper⁽³⁾</td> </tr> <tr> <td data-bbox="1031 394 1086 999">- Based on current negotiations (FYE 2025)⁽⁴⁾</td> <td data-bbox="1031 253 1086 394">1,300</td> <td data-bbox="1031 136 1086 253">15,600</td> <td data-bbox="1031 80 1086 136">15.6</td> </tr> <tr> <td data-bbox="1086 394 1158 999">- Management's projection (FYE 2025)⁽²⁾⁽⁴⁾</td> <td data-bbox="1086 253 1158 394">1,404</td> <td data-bbox="1086 136 1158 253">16,848</td> <td data-bbox="1086 80 1158 136">16.8</td> </tr> <tr> <td colspan="4" data-bbox="1158 80 1198 999">Wastewater</td> </tr> <tr> <td data-bbox="1198 394 1238 999">- Current production as at the LPD</td> <td data-bbox="1198 253 1238 394">150</td> <td data-bbox="1198 136 1238 253">1,800</td> <td data-bbox="1198 80 1238 136">1.6</td> </tr> <tr> <td data-bbox="1238 394 1294 999">- Based on current negotiations (FYE 2025)⁽⁵⁾</td> <td data-bbox="1238 253 1294 394">1,150 - 1,450</td> <td data-bbox="1238 136 1294 253">13,800 - 17,400</td> <td data-bbox="1238 80 1294 136">12.4 - 15.7</td> </tr> <tr> <td data-bbox="1294 394 1375 999">- Management's projection (FYE 2025)⁽²⁾⁽⁵⁾</td> <td data-bbox="1294 253 1375 394">2,125</td> <td data-bbox="1294 136 1375 253">25,500</td> <td data-bbox="1294 80 1375 136">23.0</td> </tr> </tbody> </table>	Scenario	Monthly output MT	Annual output MT	Annual revenue RM million	Aluminium				- Current production as at the LPD	100	1,200	1.0	- Based on current negotiations (FYE 2025) ⁽¹⁾	1,000 - 2,400	12,000 - 28,800	10.2 - 24.5	- Management's projection (FYE 2025) ⁽¹⁾⁽²⁾	1,500	18,000	15.3	Copper⁽³⁾				- Based on current negotiations (FYE 2025) ⁽⁴⁾	1,300	15,600	15.6	- Management's projection (FYE 2025) ⁽²⁾⁽⁴⁾	1,404	16,848	16.8	Wastewater				- Current production as at the LPD	150	1,800	1.6	- Based on current negotiations (FYE 2025) ⁽⁵⁾	1,150 - 1,450	13,800 - 17,400	12.4 - 15.7	- Management's projection (FYE 2025) ⁽²⁾⁽⁵⁾	2,125	25,500	23.0
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No.	Key bases and assumptions	MainStreet's commentary
		<p>Notes:</p> <ol style="list-style-type: none"> (1) Assuming that the DOE Approval is obtained in fourth quarter of 2024. (2) As disclosed in the Valuation Certificate prepared by AER as set out in Appendix IV of the Circular. (3) The copper reprocessing plant is currently under refurbishment and is expected to be completed in fourth quarter of 2024. (4) Reprocessing of copper does not require a licence from the DOE. (5) <i>Metahub had obtained the DOE Approval for an increased wastewater reprocessing capacity of 2,500 MT per month on 12 August 2024. The capacity shown in the table above is based on Metahub's negotiations with existing and potential new customers and it is anticipated that the production will progressively increase from October 2024 onwards.</i> <p>Based on the table above, we note that the difference between the current negotiations and the management's projection will be filled up from the potential further increase once Metahub has commenced negotiations with its other current and new customers once the DOE Approval is obtained. The management believes that it has the capabilities and capacity to achieve their projections due to a shortage of licensed operators for scheduled waste in the market and the tightening of regulations of disposal of waste. Due to the growing concerns over environmental and sustainability issues, as evident by stricter enforcements by the Government*, we view that the demand for proper waste management will continue to grow and Metahub is well positioned to benefit from this.</p> <p>* Sources:</p> <ol style="list-style-type: none"> (1) <i>Dewan Rakyat passes Environmental Quality (Amendment) Bill 2025, The Star, 25 March 2024 (https://www.thestar.com.my/news/nation/2024/03/25/dewan-rakyat-passes-environmental-quality-amendment-bill-2025); and</i>

No.	Key bases and assumptions	MainStreet's commentary
		<p>(2) <i>Johor foul odour: Chief minister vows 'strict action' against those behind toxic chemicals in river areas, Channel News Asia, 10 September 2024 (https://www.channelnewsasia.com/asia/johor-foul-odour-toxic-chemical-pollution-onn-hafiz-ghazi-4597841)</i></p> <p>As highlighted in Section 6.1.1 of this IAL, we note that Metahub had applied for additional annual reprocessing capacity for aluminium (from 2,400 MT to 36,000 MT) and wastewater (from 2,400 MT to 30,000 MT) from the DOE. We further note that Metahub obtained the DOE Approval for an increased wastewater reprocessing capacity of 2,500 MT per month (i.e. 30,000 MT per year) on 12 August 2024. With the increased reprocessing capacity, Metahub will be able to propose a higher MT to larger sized customers, as compared to present situation where the company is unable to approach customers that have more waste to dispose.</p> <p>In summary, we view that the projected revenue and the projected production output for the Recovery and Reprocessing segment are supported by the following:</p> <ul style="list-style-type: none"> • estimated increase in the volume of reprocessed aluminium, backed by KYH Commitment which will commence upon obtaining the DOE Approval (tentatively in fourth quarter of 2024); • estimated increase in the volume of reprocessed copper upon completion of the upgrading of the copper reprocessing plant (anticipated to be in fourth quarter of 2024) and the Copper MOU; • estimated increase in the wastewater treatment capacity following the DOE Approval obtained in August 2024; • the experience and expertise of Koon Hoi Chun (under the new management team of Metahub) in the business of sales, management and recycling of industrial waste through his past employment and companies that he owns; as well as

No.	Key bases and assumptions	MainStreet's commentary
		<ul style="list-style-type: none"> the aluminium sector's favourable outlook underpinned by strong demand and the growing environment and sustainability concerns. <p>Hence, we opine that the projected revenue and the projected production output for the Recovery and Reprocessing segment are reasonable.</p> <p><u>Trading segment</u></p> <p>We are of the view that the projected revenue for Trading segment is reasonable based on the following considerations:</p> <p>(i) during the 7-month FPE 31 July 2024, the Trading segment recorded a GP of RM1.80 million, which indicates that the Trading segment is close to meeting the FYE 2024 full year forecast of RM2.00 million. With additional orders that include the sales and purchase agreements as well as purchase orders secured from customers in the metal manufacturing and trading industry amounting to RM17.35 million (to be recognised over the next 6 months between October 2024 - March 2025), these would further improve Metahub's earnings moving forward; and</p> <p>(ii) the projected revenue for Trading segment goes in tandem with the expected increase in production capacity for recycled aluminium, copper and wastewater.</p> <p>In addition to the above, we also note that Metahub's financial performance has improved pursuant to the internal restructuring exercise undertaken by the new management (from a loss-making position during the FYE 2023 to a PBT of RM0.97 million for the 7-month FPE 2024).</p> <p>By leveraging on the experience and expertise of Koon Hoi Chun as well as the combined infrastructure of PMSB and Metahub, the enlarged Group (including Metahub) can benefit from the increased reprocessing capacity and customer base and hence, providing more comfort in the achievability of the overall projected output and revenue.</p>

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2.	<p>(a) The projected gross margins for the respective business segments are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">FYE</th> <th colspan="2">Recovery and Reprocessing</th> <th rowspan="2">Trading</th> </tr> <tr> <th>Aluminium</th> <th>Copper Wastewater</th> </tr> </thead> <tbody> <tr> <td>2024</td> <td>16%</td> <td>33%</td> <td>5%</td> </tr> <tr> <td>2025</td> <td>21%</td> <td>35%</td> <td>5%</td> </tr> <tr> <td>2026</td> <td>19%</td> <td>36%</td> <td>5%</td> </tr> <tr> <td>2027</td> <td>24%</td> <td>38%</td> <td>5%</td> </tr> <tr> <td>2028</td> <td>22%</td> <td>36%</td> <td>5%</td> </tr> </tbody> </table> <p>(b) The annual projected net margins for the company are assumed at 7.5% (FYE 2024), 13.4% (FYE 2025), 13.4% (FYE 2026), 14.9% (FYE 2027) and 13.9% (FYE 2028).</p>	FYE	Recovery and Reprocessing		Trading	Aluminium	Copper Wastewater	2024	16%	33%	5%	2025	21%	35%	5%	2026	19%	36%	5%	2027	24%	38%	5%	2028	22%	36%	5%	<p>The projected gross margins range for the Recovery and Reprocessing segment of 16.0% - 40.0% and net margins of 7.5% - 14.9% are reasonable as the aforementioned projected margins are within the profit margins of comparable companies that were selected by AER. The comparable companies that are listed on the listing exchanges in Malaysia and Singapore, operating in the similar industry with Metahub ("Comparable Companies") are set out below:</p> <table border="1"> <thead> <tr> <th>Comparable Companies</th> <th>Market capitalisation as at 1 April 2024 RM million</th> <th>Gross margin %</th> <th>Net margin %</th> </tr> </thead> <tbody> <tr> <td>JAG Berhad ("JAG")</td> <td>193.7</td> <td>23.3</td> <td>0.7</td> </tr> <tr> <td>Tex Cycle Technology (M) Bhd ("Tex Cycle")</td> <td>246.4</td> <td>65.4</td> <td>44.3</td> </tr> <tr> <td>5E Resources Limited ("5E Resources")</td> <td>145.8</td> <td>49.8</td> <td>27.0</td> </tr> <tr> <td></td> <td>High</td> <td>65.4</td> <td>44.3</td> </tr> <tr> <td></td> <td>Low</td> <td>23.3</td> <td>0.7</td> </tr> <tr> <td></td> <td>Average</td> <td>46.2</td> <td>24.0</td> </tr> </tbody> </table> <p>(Sources: Bloomberg and latest annual reports)</p> <p>We opine that the latest audited historical profit margins of Comparable Companies are a good benchmark for Metahub's projected gross margins and net margins as they are based on actual past performance of the Comparable Companies.</p>	Comparable Companies	Market capitalisation as at 1 April 2024 RM million	Gross margin %	Net margin %	JAG Berhad ("JAG")	193.7	23.3	0.7	Tex Cycle Technology (M) Bhd ("Tex Cycle")	246.4	65.4	44.3	5E Resources Limited ("5E Resources")	145.8	49.8	27.0		High	65.4	44.3		Low	23.3	0.7		Average	46.2	24.0
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		<p><u>Recovery and Reprocessing – aluminium segment</u></p> <p>During the FYEs 2021 to 2023, there was no production of recycled aluminium. For the 7-month FPE 31 July 2024, the production of aluminium was minimal as the DOE Approval is still pending and the gross margin recorded for the period was 4.0%. Notwithstanding this, we are of the view that the projected gross margin for aluminium segment is reasonable, taking into consideration the following:</p> <ul style="list-style-type: none"> (i) the production of aluminium is expected to ramp up upon obtaining the DOE Approval (expected to be in fourth quarter of 2024) and backed by the KYH Commitment; (ii) Metahub does not expect its fixed production costs (such as depreciation and labour cost) to increase significantly in conjunction with the projected increase in production output, as Metahub's aluminium reprocessing plant has already been upgraded in January 2024 to cater for the increased reprocessing capacity. In this regard, the increase in volume of aluminium being reprocessed would lead to a reduction in the average costs per MT due to economies of scale. As a result, the gross margins of aluminium segment are expected to improve moving forward; and (iii) the projected gross margin of between 16% - 24% are at the lower end of the gross margin of Comparable Companies of between 23.3% - 65.4%. <p><u>Recovery and Reprocessing – copper segment</u></p> <p>During the FYEs 2021 to 2023 and the 7-month FPE 31 July 2024, there were no production of recycled copper. Hence, it would not be meaningful for us to comment on the projected gross margins against the historical gross margin for copper.</p>

No.	Key bases and assumptions	MainStreet's commentary
		<p><u>Recovery and Reprocessing – wastewater segment</u></p> <p>It would not be meaningful for us to comment on the projected gross margins against the historical gross margins because during this period, the wastewater treatment segment recorded GL. During the FYEs 2022 to 2023, Metahub went through a transitional phase, following the acquisition by the new shareholder and new management team, i.e. IASB. Further, in FYE 2023 revenue was affected due to the upgrading of wastewater plant to enable the company to increase its wastewater reprocessing capacity.</p> <p>While we note that the gross margin for wastewater treatment for the 7-month FPE 2024 of 4.2% is lower than the projected gross margins of between 35.0% - 40%, we are of the view that the projected gross margins for wastewater treatment is reasonable taking into consideration the following:</p> <ul style="list-style-type: none"> (i) Metahub does not expect its fixed production costs (such as depreciation and labour cost) to increase significantly in conjunction with the projected increase in production output, as Metahub's wastewater reprocessing plant has already been upgraded in January 2024 to cater for the increased reprocessing capacity. In this regard, the increase in volume of wastewater being reprocessed would lead to a reduction in the average costs per MT due to economies of scale. As a result, the gross margins of wastewater treatment business are expected to improve moving forward; and (ii) the projected gross margins are within the gross margins of Comparable Companies of between 23.3% - 65.4%. <p><u>Trading segment</u></p> <p>We are of the view that the projected gross margins for the Trading segment of 5.0% during the forecast period are reasonable premised on the following factors:</p>

No.	Key bases and assumptions	MainStreet's commentary
3.	<p>The operating overheads are projected to be RM1.41 million (FYE 2024), RM2.23 million (FYE 2025), RM2.28 million (FYE 2026), RM2.34 million (FYE 2027) and RM2.40 million (FYE 2028).</p> <p>The operating overhead costs comprise, among others, staff and director remuneration, professional fees, travelling expenses and transport charges, upkeep of motor vehicle, office equipment and hostel as well as other indirect expenses which are projected to increase annually by 3.0%.</p>	<p>(i) the projected gross margins of 5.0% are prudent as they are lower than the 3-year historical average gross margins of 10.7%; and</p> <p>(ii) during the 7-month FPE 31 July 2024, the Trading segment had recorded a higher gross margin of 12.0% compared to the FYE 2024 forecast attributable to Metahub's negotiations with suppliers for better pricing due to increased order quantities.</p> <p>We are of the view that the projected increase in expenses by 3.0% annually is reasonable after taking into consideration the headline inflation rate forecast of 2.1% - 3.6% in 2024. (Source: <i>BNM Quarterly Bulletin 4Q 2023, Bank Negara Malaysia</i>)</p> <p>However, for FYE 2025, we note that the staff and director remuneration is projected to increase by 100%. We are of the view that this increment is reasonable due to the expected new recruitment to support the growth of the company which goes in tandem with the expected increase in production capacity.</p> <p>Further, some of the directors of Metahub have not been receiving remuneration since the transitional phase during the FYEs 2022 - 2023, following the acquisition by the new shareholder and new management team, i.e. IASB.</p> <p>Pursuant to the Proposed Acquisition, this is expected to change with their additional time and focus needed to guide the company towards its forecasted growth in the coming years.</p>

Premised on the above, based on our evaluation of the Future Financials, we are satisfied that the key bases and assumptions adopted by AER in the Future Financials are **reasonable**.

Discount rate

To derive the estimated fair value of Metahub, AER discounted the projected FCFE to be generated from Metahub's business at a cost of equity of 11.42% that was derived from the capital asset pricing model ("CAPM") based on the following parameters:

No.	Parameters	As at 23 March 2024	MainStreet's commentary
1.	<p>Cost of equity ("K_e")</p> <p>Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows.</p>	11.42%	<p>In deriving the cost of equity for Metahub, AER had adopted the CAPM and derived an estimated cost of equity based on the following formula:</p> $K_e = R_f + \beta (R_m - R_f)$ <p>The components of CAPM are explained in Items no. 2, 3 and 4 of this table.</p>
2.	<p>Risk-Free Rate ("R_f"):</p> <p>Risk-free rate of return represents the expected rate of return from a risk-free investment.</p>	3.85%	<p>We note that the R_f adopted by AER is consistent with the 10-year Malaysian Government Securities ("MGS") yield as at 23 March 2024. (Source: Bank Negara Malaysia)</p> <p>We are of the view that this is reasonable as MGS is a frequently adopted proxy for the R_f. We are also of the view that a longer-term yield for MGS is appropriate given that Metahub is assumed to continue to operate in perpetuity and 10 years being the length of a typical economic cycle.</p>
3.	<p>Expected market rate of return ("R_m")</p> <p>Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p>	10.56%	<p>We are of the view that the market return adopted by AER is reasonable. The historical average market return is based on the average return of FTSE Bursa Malaysia Top 100 Index for the past 10 years extracted as at 23 March 2024.</p> <p>In our opinion, this is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it would reasonably normalise the year-on-year fluctuations of the stock market and mitigates market bias.</p>

No.	Parameters	As at 23 March 2024	MainStreet's commentary
4.	<p>Beta (“β”)</p> <p>Beta captures the sensitivity of an asset's return relative to the market's return. A beta of more than +1 indicates that the asset's return is riskier compared to the market and vice versa.</p>	0.755	<p>In deriving the estimated beta, AER have relied on the 2-year historical beta up to 23 March 2024 of Comparable Companies. As the historical beta was extracted from Bloomberg based on the capital structure of the Comparable Companies, AER have unlevered the beta of the Comparable Companies and derived a median beta for the Comparable Companies and subsequently levered it based on Metahub's capital structure comprising equity of RM26.64 million and debt of RM0.46 million as at 31 December 2023. Hence, we are of the view that the levered beta of 0.755 is reasonable.</p>
5.	<p>Perpetual growth rate (“g”)</p> <p>Perpetual growth rate is the constant annual rate at which the FCFE is assumed to grow indefinitely beyond the forecast period of the Future Financials.</p>	0%	<p>We are of the view that the terminal growth rate of 0% is reasonable based on the following considerations:</p> <ul style="list-style-type: none"> (i) the projected revenue growth year-on-year for the last financial year (FYE 2028 versus FYE 2027) is 2.0%; (ii) the 2 most profitable recycling business segments, i.e. recycling of copper and wastewater treatment are projected to operate at 95% capacity at the end of the Future Financials from FYEs 2027 to 2028, which are close to full capacity; and (iii) save for the projected capital expenditure of RM6.24 million for the construction of copper reprocessing plant in FYE 2024 and RM3.0 million for the maintenance of its reprocessing plants in FYE 2027, the company is not expected to incur further capital expenditure commitment.
6.	<p>Specific risk for a private company</p> <p>An additional rate of return that investors expect to earn for bearing the unique, non-systematic risks associated with a particular company.</p>	2.5%	<p>The additional risk premium of 2.5% is reasonable to mitigate the day-to-day volatility movement of risk-free rates and annualised market return, which will affect the value of the equity risk premium, being one of the components in the determination of equity discount rate and possible deviations to the key basis and assumptions in the Future Financials.</p>

No.	Parameters	As at 23 March 2024	MainStreet's commentary
7.	<p>Discount for Lack of Marketability ("DLOM")</p> <p>Discount for the illiquidity or limited marketability of an asset that is not easily traded in the open market.</p>	20% - 30%	<p>This is reasonable taking into account the typical range for DLOM of 20% - 30% (Source: <i>"Investment Valuation: Tools and Techniques for Determining the Value of Any Assets"</i> by Aswath Damodaran) to reflect the illiquidity of shares of Metahub, being a private company that is not freely tradeable as compared to public listed companies.</p>

Premised on our evaluation of the components of CAPM above, we are satisfied that the key bases and assumptions used by AER to determine the cost of equity are **reasonable**. Accordingly, we are of the view that the cost of equity of 11.42% is **reasonable**.

Sensitivity analysis

Based on the underlying assumptions for the Future Financials, AER has also performed a sensitivity analysis on the 51.0% fair value of the equity interest in Metahub. This serves to illustrate how the valuation can change due to reduction in the annual projected revenue from the base case projected revenue in the Future Financials.

The effects on the minimum and maximum range of AER's fair value range for the 51.0% equity interest in Metahub due to changes in annual projected revenue are as follows:

	100%	95%	90%	85%	80%
Minimum range DLOM at 20%	51.5	50.4	49.3	48.2	47.1
Maximum range DLOM at 30%	45.1	44.1	43.2	42.2	41.2

We are of the view that the selection of parameter for the sensitivity analysis is **reasonable** as they cater for the range of possible fluctuations in the business of Metahub due to unforeseen circumstances that are outside of the management of Metahub's control, as set out under risk of not achieving Metahub's profit forecast and projections or the Profit Guarantee in Section 5.1 of Part A of the Circular.

Premised on the FCFE approach, we are of the view that the Purchase Consideration is **fair** as it is **within** the fair value range of the 51.0% equity interest in Metahub of between RM45.1 million - RM51.5 million, as appraised by AER.

6.2.2 Secondary approach – relative valuation approach

We noted that AER had applied the relative valuation approach using the PE ratio and EV/EBITDA ratio to cross check the fair value range for the 51.0% equity interest in Metahub derived using the FCFE approach against the traded ratios of the Comparable Companies.

Relative valuation approach assumes that businesses operating in the same industry will share similar characteristics and the subject business' value will correlate with these characteristics. Hence, a comparison of the subject business to broadly similar businesses with financial information and market value or transaction value that are publicly available would provide a reasonable basis to estimate the subject business / share value. Under this approach, reference is made to price ratio benchmarks of comparable companies.

From the Valuation Certificate, we noted that AER had adopted the following criteria in selecting the Comparable Companies:

- (i) listed on the listing exchanges in Malaysia and Singapore with market capitalisation less than RM250.0 million as a company size indicator of Metahub, which is valued at RM100.0 million (based on the Purchase Consideration for the 51% equity interest in Metahub of RM51.0 million); and
- (ii) revenue from the recycling manufacturing business constitutes more than 80% of total revenue based on latest audited financial statements.

The table below summarises the valuation statistics of the Comparable Companies as at 1 April 2024:

Comparable Companies		Market capitalisation as at 1 April 2024 RM million	Trailing PE ratio ⁽¹⁾ times	Trailing EV/EBITDA ratio ⁽²⁾ times
JAG	Recycling and manufacturing activities of extraction, production and refinery of ferrous, non-ferrous and precious metals via the recovery and reclamation of industrial and electronic waste	193.7	150.5 ⁽³⁾	15.9
Tex Cycle	Provision of waste recovery and recycling services, and rental of recycled products	246.4	15.9	11.0
5E Resources	Scheduled waste management services, sales of recovered and recycled products and chemical trading	145.8	6.8	3.2
		Range	6.8 – 15.9⁽³⁾	3.2 – 15.9
		Simple average	11.4⁽³⁾	10.0
		Metahub: Implied forward	6.8 – 7.8⁽⁴⁾	4.6 – 5.3⁽⁵⁾

(Sources: Bloomberg and latest annual reports)

Notes:

- (1) Computed based on the market capitalisation as at 1 April 2024 divided by the latest available trailing 12-month PAT up to 31 December 2023.
- (2) Market capitalisation in enterprise value (“EV”) is based on the closing share price as at 1 April 2024, while the other components in EV (non-controlling interests, preference shares and debts, net of any cash and cash equivalents) and EBITDA are based on latest annual reports.
- (3) Deemed outlier. JAG was excluded from the computation of average and median PE ratio as it is significantly higher than the PE ratio of other Comparable Companies and hence, not meaningful for analysis purposes.
- (4) Computed based on the fair value range for the 51.0% equity interest in Metahub of RM45.1 million - RM51.5 million divided by the estimated PAT of RM13.0 million for FYE 2025. The estimated PAT of RM13.0 million for FYE 2025 is based on the Future Financials prepared by the management of Metahub. The key bases and assumptions of the Future Financials are set out in Section 6.2.1 of this IAL and Appendix IV of the Circular.

Based on our assessment and analysis of the key bases and assumptions of the Future Financials in Section 6.2.1 of this IAL, we are of the view that the estimated PAT of RM13.0 million for FYE 2025 is reasonable.

- (5) Computed based on the fair value range for the 51.0% equity interest in Metahub of RM45.1 million - RM51.5 million divided by the estimated EBITDA of RM19.12 million for FYE 2025. The estimated EBITDA of RM19.12 million for FYE 2025 is based on the Future Financials prepared by the management of Metahub. The key bases and assumptions of the Future Financials are set out in Section 6.2.1 of this IAL and Appendix IV of the Circular.

Based on our assessment and analysis of the key bases and assumptions of the Future Financials in Section 6.2.1 of this IAL, we are of the view that the EBITDA of RM19.12 million for FYE 2025 is reasonable.

Based on the relative valuation approach above, it is noted that:

- (i) the implied forward PE ratio of 6.8 - 7.8 times based on the fair value range of RM45.1 million to RM51.5 million for the 51.0% equity interest in Metahub is **within** the range of trailing PE ratio of Comparable Companies of 6.8 - 15.9 times and **below** the simple average of 11.4 times; and
- (ii) the implied forward range of EV/EBITDA ratio of 4.6 - 5.3 times based on the fair value range of RM45.1 million to RM51.5 million for the 51.0% equity interest in Metahub is **within** the range of trailing EV/EBITDA ratio of Comparable Companies of 3.2 - 15.9 times and **below** the simple average of 10.0 times.

We are of the view that the valuation methodologies applied by AER, i.e. FCFE approach as the primary approach and relative valuation approach as a cross-check, for the valuation of the 51.0% equity interest in Metahub are reasonable, appropriate and consistent with generally applied valuation methodologies and are satisfied that the key bases and assumptions used in arriving at the valuation are reasonable. As such, we are satisfied and have relied on the valuation prepared by AER for the 51.0% equity interest in Metahub based on the FCFE approach.

Premised on the above, we are of the view that the Purchase Consideration of RM51.0 million is fair.

6.3 Evaluation of the Profit Guarantee

We take cognisance of the terms of the Profit Guarantee as set out in Section 2.4 of Part A and Appendix II of the Circular. The Profit Guarantee will provide some assurance to the financial performance of Metahub over the next 2 financial years from FYEs 2024 to 2025, which will contribute positively to the Group's future earnings.

We also note that the Vendors and PUB have agreed on the Profit Guarantee to be based on audited PBT for the following reasons:

- (i) PBT is more reflective of the financial performance of Metahub's business operations by excluding any variable effects relating to potential taxation considerations (such as temporary timing difference in tax accruals estimated by the management as compared to other tax variables such as capital allowance), as opposed to PAT. Through using PBT, the achievability of the Profit Guarantee will be based solely on the operational results of Metahub, and will exclude any potential taxation considerations that may impact the achievability of the Profit Guarantee; and
- (ii) the Vendors and PUB opine that PBT is a more predictable measure for Profit Guarantee. Moving forward, the Vendors and PUB are able to assess the achievability of the Profit Guarantee on a monthly basis based on the internal management accounts of Metahub, which provides a more consistent measure of profitability across the relevant FYE.

Basis of Profit Guarantee

While the Profit Guarantee based on PBT is not as common as compared to PAT, we are of the view that using PBT for the Profit Guarantee is acceptable given that PBT is a good measurement for financial performance and it has taken into consideration all revenue and cost components of the income statement, save for taxation. Further, the provision of Profit Guarantee serves as an added comfort to mitigate any potential uncertainties associated with the Proposed Acquisition.

Achievability of Profit Guarantee

We note that the achievability of the Profit Guarantee as well as the profit forecast and projections are dependent on the increased production capacity for recycled aluminium, recycled copper and wastewater; and the increased production capacity for recycled aluminium and wastewater are subject to the DOE Approval. For information purposes, Metahub had on 12 August 2024, received the DOE Approval to increase its wastewater reprocessing capacity whilst the DOE Approval for increased aluminium reprocessing capacity is still pending.

We have assessed the achievability of the Profit Guarantee collectively, rather than by individual financial year, after taking into consideration that the Shortfall will be determined based on the aggregate audited PBT of Metahub for the Guaranteed Financial Years. This allows for any shortfall in the audited PBT for FYE 2024 to be made up in the FYE 2025.

We are of the view that the Profit Guarantee is achievable based on the following considerations:

- (1) Metahub had obtained the DOE Approval on 12 August 2024 to increase its wastewater reprocessing capacity. Hence, the management of Metahub expects the increase of its wastewater reprocessing output from 200 MT per month to 2,500 MT per month to gradually commence from October 2024 onwards;
- (2) 2 new customers in mixed scrap waste business have signed a memorandum of understanding to engage Metahub's copper recycling and reprocessing services for 2 years for a total quantity of 650 - 750 MT per month (translating to approximately RM0.59 million to RM0.83 million per month based on assumed selling price per MT of RM900 - RM1,100), upon the completion of the copper reprocessing plant with increased capacity in fourth quarter of 2024;

- (3) 1 customer, namely KYH Recycle has committed to engage Metahub's aluminium recycling and reprocessing services through a commitment letter to enter into a 3-year contract with Metahub for a monthly quantity of 1,000 - 2,200 MT at a selling price per MT of RM800 - RM900 (translating to approximately RM0.80 million - RM 1.98 million per month) which could substantially support the projected output and revenue from FYE 2024 to FYE 2027. The management of Metahub anticipates to obtain the DOE Approval for the increase in its aluminium reprocessing capacity in fourth quarter of 2024;
- (4) during the 7-month FPE 31 July 2024, the Trading segment recorded a GP of RM1.80 million, which indicates that the company is close to meeting the FYE 2024 full year forecast of RM2.00 million. In addition, the GP margin during the latest FPE 2024 was higher than the projected gross margins of 5.0%. With additional orders that include the sales and purchase agreements as well as purchase orders secured from customers in the metal manufacturing and trading industry amounting to RM17.35 million (to be recognised over the next 6 months between October 2024 - March 2025), these would further improve Metahub's earnings moving forward; and
- (5) Metahub's financial performance has improved after the internal restructuring exercise undertaken by the new management (from a loss-making position during the FYE 2023 to a PBT of RM0.97 million for the 7-month FPE 2024). By leveraging on the experience and expertise of Koon Hoi Chun in the business of sales, management and recycling of industrial waste as well as the combined infrastructure of PMSB and Metahub, the enlarged Group (including Metahub) can benefit from the increased reprocessing capacity and customer base and hence, providing more comfort in the achievability of the Profit Guarantee.

Notwithstanding the outstanding DOE Approval for increased aluminium reprocessing capacity, we wish to highlight that there are 2 mitigation measures, as provided under the SPA, to address the uncertainty of the DOE Approval which are set out below:

- (1) the Vendors have provided their continuing warranties that the DOE Approval will be obtained within 6 months from the completion of the Proposed Acquisition or such other period PMSB and the Vendors may otherwise mutually agree in writing and in any such event within the timeline as required by the relevant authorities; and
- (2) there is an indemnification provision from the Vendors for the breach of the Vendors' continuing warranties in connection with the DOE Approval. The Vendors have undertaken and agreed to pay and to indemnify fully to PMSB or Metahub (as PMSB may choose) for any loss, cost, expense, damage, consequence or third-party claim for damages suffered directly or indirectly by PMSB.

Security for the Profit Guarantee

Based on the terms of the SPA, PUB and the Vendors agree that a number of Consideration Shares equivalent to the value of the aggregate Profit Guarantee (i.e. RM14.0 million) shall be held by an Escrow Agent. The Escrow Agent will be authorised to hold the Pledged Consideration Shares on the Vendors' behalf, to be released to the Vendors upon Metahub achieving the Profit Guarantee for the Guaranteed Financial Years, in the manner as set out in Section 2.5 of Part A of the Circular.

If Metahub does not meet the Profit Guarantee of RM6.0 million for FYE 2024, the Escrow Agent may release the relevant amount of Pledged Consideration Shares to the Vendors which equals the value of audited PBT recorded by Metahub for FYE 2024. The remaining Pledged Consideration Shares shall remain with the Escrow Agent, to be released at the end of FYE 2025 if the aggregate Profit Guarantee of RM14.0 million is met in FYE 2025 ("**Aggregate Guaranteed Profit**"), or to be released to the Vendors proportionately upon receipt of a notice in writing issued by PMSB confirming that the Vendors have fully paid and settled the Shortfall to PMSB.

If there is a shortfall in the Actual Aggregate PBT, the Purchaser may claim a Shortfall sum from the Vendors, to be calculated in the following manner:

$$\text{Shortfall} = (\text{Aggregate Guaranteed Profit} - \text{Actual Aggregate PBT}) \times 51\%$$

However, the Shortfall will be capped at the maximum sum of RM14.0 million and will not take into account any loss that goes beyond the Actual Aggregate PBT of Metahub computed for the Guaranteed Financial Years. Should the Vendors fail to pay to PMSB the Shortfall within 30 days from the Audited Accounts Approval Date for the FYE 2025, PMSB may instruct the Escrow Agent to sell the remaining Pledged Consideration Shares and utilise all or any moneys arising therefrom to recover the amount of Shortfall that remains unpaid to PMSB. The sale of the Pledged Consideration Shares by the Escrow Agent may be conducted in any manner so instructed by PMSB including, but not limited to, sale in the open market on Bursa Securities or by way of private placement(s).

There can be no assurance that the Vendors will pay the Shortfall amount if the value of the Pledged Consideration Shares is insufficient to make up for the Shortfall as it is subject to share price fluctuations. However, we are of the view the security for the Profit Guarantee is reasonable based on the following considerations:

- (i) the Profit Guarantee is entirely secured via 4,745,763 new PUB Shares (RM14.0 million at RM2.95 per Consideration Share) and includes a mechanism to address the uncertainty in the value of the Pledged Consideration Shares which is subject to share price fluctuations;
- (ii) if the Vendors fail to fulfil their payment obligation on the Shortfall, PMSB may instruct the Escrow Agent to sell the remaining Pledged Consideration Shares and transfer the proceeds arising therefrom to PMSB. Any loss in value upon sale of the Pledged Consideration Shares to the amount of Shortfall shall be paid by the Vendors to PMSB, as outlined in the terms of the SPA. If the Vendors fail to pay the sum of loss in value from the sale of the Pledged Consideration Shares, the Purchaser will be entitled to legal remedies such as specific performance and/ or claim of damages from the Vendors as set out in Sections 4.7, 6 and 8.1 of Appendix II of the Circular; and
- (iii) if there is any surplus from the difference between the proceeds arising from the sale of the Pledged Consideration Shares and the Shortfall sum that remains unpaid to PMSB, PMSB is entitled to instruct the Escrow Agent to retain the surplus and utilise all or any such moneys to satisfy the commissions and costs incurred for the sale of the Pledged Consideration Shares, as it deems appropriate.

For illustrative purposes, there are several permutations of performance obligations between PUB, the Vendors and the Escrow Agent assuming the following scenarios take place during the Profit Guarantee period:

- Scenario I : Metahub does not achieve a PBT position for the FYE 2024 and FYE 2025, and hence is unable to meet the Profit Guarantee due to a Shortfall in PBT for both financial years
- Scenario II : Metahub achieves a PBT of RM3.0 million for the FYE 2024 and a PBT of RM4.0 million for the FYE 2025, and hence is unable to meet the Profit Guarantee due to a Shortfall in PBT for both financial years
- Scenario III : Metahub achieves a PBT of RM6.0 million for the FYE 2024 and a PBT of RM8.0 million for the FYE 2025
- Scenario IV : Metahub achieves a PBT of RM8.00 million for the FYE 2024 and a PBT of RM8.0 million for the FYE 2025

FYE	Scenario I	Scenario II	Scenario III	Scenario IV
2024	<p>Missed PBT of RM6.0 million for year 1</p> <p>No Pledged Consideration Shares released</p>	<p>Missed PBT of RM3.0 million for year 1</p> <p>Pledged Consideration Shares worth RM3.0 million released to the Vendors</p>	<p>No Shortfall, PBT of RM6.0 million in year 1</p> <p>Pledged Consideration Shares worth RM6.0 million released to the Vendors</p>	<p>No Shortfall, PBT of RM8.0 million in year 1</p> <p>Pledged Consideration Shares worth RM6.0 million only to be released to the Vendors</p>
2025	<p>Missed PBT of RM14.0 million for year 1 and year 2 cumulatively</p> <p>No Pledged Consideration Shares released and the Vendors will pay the Shortfall sum⁽¹⁾ of RM7.14 million to PUB, failing which the Escrow Agent will sell the Pledged Consideration Shares and utilise all or any moneys arising therefrom to recover the amount payable to satisfy the Shortfall sum⁽¹⁾ to PMSB. The Shortfall will be capped at the maximum sum of RM14.0 million</p>	<p>Missed PBT of RM7.0 million for year 1 and year 2 cumulatively</p> <p>Pledged Consideration Shares worth RM4.0 million released to the Vendors. Vendors to pay Shortfall sum⁽¹⁾ of RM3.57 million to PUB, failing which the Escrow Agent will sell the remaining Pledged Consideration Shares and utilise all or any moneys arising therefrom to recover the amount payable to satisfy the Shortfall sum⁽¹⁾ to PMSB</p>	<p>No Shortfall, PBT of RM14.0 million in year 1 and year 2 cumulatively</p> <p>Remaining Pledged Consideration Shares worth RM8.0 million released to the Vendors</p>	<p>No Shortfall, PBT of RM16.0 million in year 1 and year 2 cumulatively</p> <p>Remaining Pledged Consideration Shares worth RM8.0 million released to the Vendors. Surplus in PBT exceeding RM14.0 million for the Guaranteed Financial Years will not result in additional payment or new PUB Shares to the Vendors</p>

Note:

(1) For the avoidance of doubt, the Shortfall sum will be calculated in the following manner:

$$\text{Shortfall} = (\text{Aggregate Guaranteed Profit} - \text{Actual Aggregate PBT}) \times 51\%$$

Overall conclusion

Premised on the above, we are of the view that the Profit Guarantee is **reasonable**.

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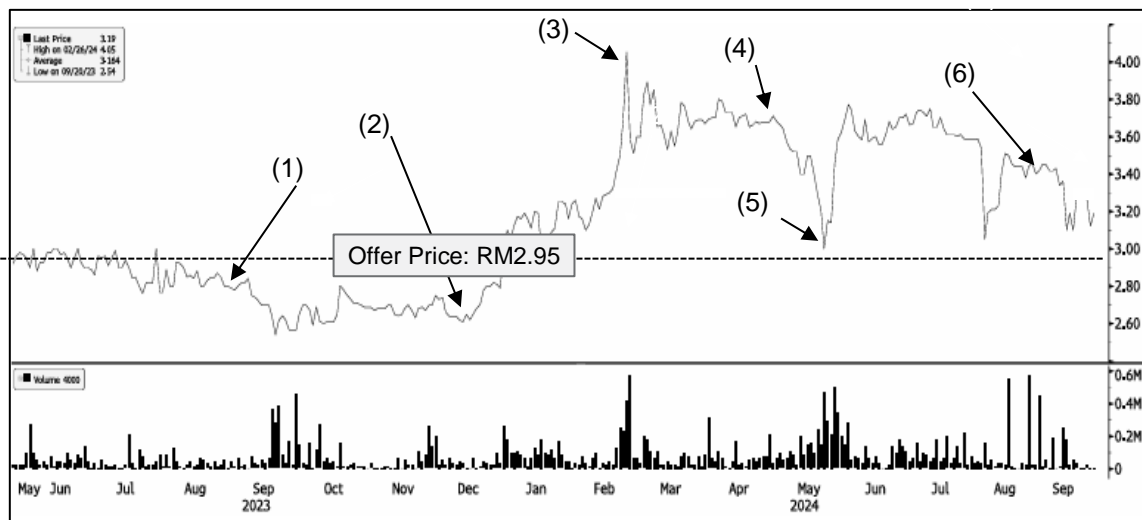
6.4 Evaluation of the Issue Price of the Consideration Shares

As set out in Section 2.3 of Part A of the Circular, we note that the issue price of RM2.95 per Consideration Share was determined on a willing-buyer willing-seller basis, after taking into consideration the discount of approximately 7.07% to the 5-day VWAP of PUB Shares up to and including LTD, being the last trading day immediately preceding the date of the SPA, of RM3.1743 per PUB Share.

In evaluating the Issue Price per Consideration Share, we have considered the following:

6.4.1 Historical closing market prices of the PUB Shares for the past 1 year preceding the LTD and up to the LPD

The movement of the daily closing market prices of PUB Shares on the Bursa Securities for the past 1 year preceding the LTD and up to the LPD is depicted in the share price chart below:



(Source: Bloomberg)

The significant events which may have material effect on the closing market prices of PUB Share during the past 1 year preceding the LTD and up to the LPD are as follows:

Annotation	Date	Significant event
(1)	11 August 2023	The Company announced the completion of disposal of a parcel of industrial land by Paragon Car Carpets & Components Sdn Bhd (a wholly owned subsidiary of PUB) to Attractive Venture (KL) Sdn Bhd for a cash consideration of RM17.5 million.
(2)	7 December 2023	Paragon Carpet Art Sdn Bhd (a wholly owned subsidiary of PUB), had acquired Carpet Art Manufacturing Sdn Bhd's assets for a total consideration of RM2.5 million.
(3)	26 February 2024	Announcement of FYE 2023 results with unaudited PAT of RM9.15 million.
(4)	30 April 2024	Release of PUB's annual report for FYE 2023.
(5)	24 May 2024	Announcement of 3-month FPE 31 March 2024 results with unaudited LAT RM0.99 million.
(6)	26 August 2024	Announcement of 6-month FPE 30 June 2024 results with unaudited LAT RM0.56 million.

Based on the graph above, we noted that PUB Shares have generally been trading between a low of RM2.54 on 20 September 2023 and a high of RM4.05 on 26 February 2024 for the past 1 year preceding the LTD and up to the LPD. Hence, the Issue Price per Consideration Share is **within the highest and lowest traded market prices** of PUB Shares for the past 1 year preceding the LTD and up to the LPD.

6.4.2 VWAP analysis

In addition, we have also considered the discounts implied by the Issue Price per Consideration Share vis-à-vis the relevant VWAP of the PUB Shares as follows:

	Share price of PUB Shares RM	Discount of the Issue Price per Consideration Share vis-à-vis the prevailing share price	
		RM	%
Up to the LTD:			
Last transacted market price	3.1500	(0.2000)	(6.35)
5-day VWAP	3.1743	(0.2243)	(7.07)
1-month VWAP	3.3763	(0.4263)	(12.63)
3-month VWAP	3.5726	(0.6226)	(17.43)
6-month VWAP	3.3536	(0.4036)	(12.03)
1-year VWAP	3.1200	(0.1700)	(5.45)
Up to the LPD:			
Last transacted market price	3.1900	(0.2400)	(7.52)
5-day VWAP	3.1631	(0.2131)	(6.74)

(Source: Bloomberg)

Based on the table above, we noted that the Issue Price per Consideration Share represents:

- (i) **discounts** ranging from RM0.1700 to RM0.6226 (5.45% to 17.43%) to the last transacted market price of PUB Shares as at the LTD and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of PUB Shares up to the LTD; and
- (ii) **discounts** ranging from RM0.2131 to RM0.2400 (6.74% to 7.52%) to the last transacted market price of PUB Shares as at the LPD and the 5-day VWAP of PUB Shares up to the LPD.

Based on our evaluation above, we are of the view that the Issue Price of the Consideration Shares is **fair** based on the following considerations:

- (i) the Issue Price per Consideration Share is **within** the highest and lowest traded market prices of the PUB Shares for the past 1 year preceding the LTD and up to the LPD;
- (ii) the **discounts** ranging from RM0.1700 to RM0.6226 (5.45% to 17.43%) to the last transacted market price of PUB Shares as at the LTD and the LPD as well as the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of PUB Shares up to the LTD and the 5-day up to the LPD are generally in line with discount rates for corporate exercises involving the issuance of shares in the market; and
- (iii) the full settlement of the Purchase Consideration via the issuance of the Consideration Shares will allow the Group to conserve cash without material impact on its cash flows as opposed to being settled in cash. The Group is also not required to increase its borrowings to fund the Proposed Acquisition and will not incur additional interest costs from bank borrowings.

6.5 Salient terms of the SPA

We have reviewed the salient terms of the SPA as set out in Appendix II of the Circular and our commentary on the pertinent salient terms are set out below:

Salient terms	MainStreet's commentary
<p>1. Conditional agreement to sell and purchase</p> <p>1.1 Subject to the Conditions Precedent (as defined in Section 2.1 of Appendix II of the Circular) being fulfilled (or if waivable, waived in accordance with Section 2.2 of Appendix II of the Circular), the Vendors agreed to sell and PMSB, relying on, amongst other things, the representations, warranties and undertakings contained in the SPA, agreed to purchase the Sale Shares, on a willing buyer willing seller basis, free from any security interest and together with all rights, benefits and entitlements attaching to the Sale Shares (including all dividends and distributions, whether declared or undeclared, in respect thereof) and with full legal and beneficial title and accruing as at and from the Completion Date (as defined in Section 5 of Appendix II of the Circular) on the terms and subject to the conditions contained in the SPA at the Purchase Consideration (as defined in Section 3.1 of Appendix II of the Circular) of Ringgit Malaysia Fifty-One Million (RM51,000,000.00) to be wholly satisfied vide allotment and issuance of new ordinary shares in PUB to the Vendors in accordance with Section 3 below.</p>	<p>This term is a common commercial term and therefore reasonable.</p> <p>We are of the view that the full settlement of the Purchase Consideration via the issuance of the Consideration Shares is reasonable as it enables the Group to conserve its existing cash balances.</p> <p>The Group is also not required to increase its borrowings to fund the Proposed Acquisition and will not incur additional interest costs from borrowings.</p>

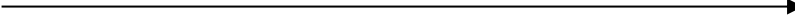
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Salient terms	MainStreet's commentary
<p>2. Conditions Precedent</p> <p>2.1 The completion of the sale and purchase of the Sale Shares pursuant to the SPA ("Completion") is subject to the following conditions precedent ("Conditions Precedent") being fulfilled or waived (as applicable) within three (3) months commencing on the day immediately after the date of the SPA or any further extended period as mutually agreed in writing by the parties ("Conditional Period").</p> <p>Conditions Precedent to be fulfilled by the Vendors</p> <p>(i) Receipt by PMSB or its solicitors the certified true copy of the board of directors' resolution of Metahub approving:</p> <ul style="list-style-type: none"> (a) the transfer and registration of the Sale Shares in favour of PMSB; (b) the cancellation of the old share certificates issued in the name of the Vendors and the issuance of new share certificate in respect of the Sale Shares in favour of PMSB, if applicable; (c) the entering into the register of members of Metahub, the name of PMSB, as the holder of the Sale Shares; and (d) the appointment of such persons nominated by PMSB as directors, company secretary and auditor of Metahub in accordance with the written instruction received from PMSB with effect from the Completion Date. <p>(ii) Obtaining of all the necessary approvals, consents and/or waivers from the financiers, creditors, regulatory authorities or third parties, if applicable, in respect of the sale and transfer of the Sale Shares in favour of PMSB, and where conditions have been imposed in respect of any of the above approvals, consents and/or waivers, such conditions being on terms reasonably satisfactory to PMSB.</p>	<p>We are of the view that the completion period for the fulfilment of the conditions precedent is reasonable and common for commercial transactions.</p> <p>These are common procedural terms to facilitate the SPA and are therefore reasonable.</p>

Salient terms	MainStreet's commentary
<p>(iii) Receipt by PMSB or its solicitors the certified true copy of the board of directors' and shareholder's resolution, as the case may be, of IASB approving:</p> <ul style="list-style-type: none"> (a) the entry of the SPA by IASB in accordance with the terms and subject to the conditions of the SPA; and (b) the disposal of the Sale Shares to PMSB pursuant to the SPA. <p>Conditions Precedent to be fulfilled by PMSB</p> <ul style="list-style-type: none"> (i) Obtaining of the approval of PUB's shareholders at an extraordinary general meeting to be convened for the Proposed Acquisition. (ii) Receipt of the approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares (as outlined in Section 3.1 of Appendix II of the Circular) on the Main Market of Bursa Securities ("Bursa Approval"). (iii) Receipt by the Vendors the certified true copy of the board of directors' and shareholder's resolution, as the case may be, of PMSB approving: <ul style="list-style-type: none"> (a) the entry of the SPA by PMSB in accordance with the terms and subject to the conditions of the SPA; and (b) the acquisition of the Sale Shares from the Vendors pursuant to the SPA. <p>2.2 The SPA will become unconditional upon the Vendors' receipt of the written confirmation from PMSB's solicitors that all Conditions Precedent have been fulfilled and satisfied or waived ("Unconditional Date"). PMSB may waive any of the Conditions Precedent save and except for any Conditions Precedent that is for PMSB to fulfil. Any Condition Precedent agreed to be waived by PMSB will be deemed as a satisfaction or fulfilment of that Condition Precedent solely for the purpose to facilitate the Completion provided always that Vendors are required to satisfy the conditions after the Completion within such period of time as required by PMSB.</p>	<p>These are common procedural terms to facilitate the SPA and are therefore reasonable.</p> <p>These terms are reasonable as the approval from the shareholders of PUB and authority are required to be in compliance with Paragraph 10.08 of the Listing Requirements. The Listing Requirements also require the Interested Director to abstain from Board deliberation and voting on the relevant resolution in respect of the Proposed Acquisition.</p> <p>This term is reasonable as this is a common procedural term to facilitate the SPA.</p>

Salient terms	MainStreet's commentary
<p>3. Payment of Purchase Consideration</p> <p>3.1 Subject to adjustment as may be required by any relevant authority, the aggregate consideration for the purchase of the Sale Shares shall be in an aggregate sum of Ringgit Malaysia Fifty-One Million (RM51,000,000.00) only ("Purchase Consideration") shall be satisfied by PUB allotting and issuing the Consideration Shares to the Vendors in the manner as follows:</p> <p>(i) the sum of Ringgit Malaysia Forty Million and Eight Hundred Thousand (RM40,800,000.00) only shall be paid by PMSB to IASB by way of issuance of 13,830,509 new PUB Shares to IASB; and</p> <p>(ii) the sum of Ringgit Malaysia Ten Million and Two Hundred Thousand (RM10,200,000.00) only shall be paid by PMSB to UYH by way of issuance of 3,457,627 new PUB Shares to UYH.</p> <p>3.2 PMSB undertakes to procure that PUB shall issue the Consideration Shares at RM2.95 each based on a discount of approximately 7.07% to the 5-day volume weighted average price of the Consideration Shares up to and including 24 May 2024 free from all security interests and to be credited to the following accounts accordingly, within thirty (30) days from the Unconditional Date or such other date as the Parties may mutually agree upon in writing (whichever is later):</p> <p>(i) approximately 72.55% of the Consideration Shares, which is equivalent to 12,542,373 new ordinary shares in PUB, to be credited as fully paid to the respective accounts of the Vendors proportionately; and</p> <p>(ii) approximately 27.45% of the Consideration Shares, which is equivalent to 4,745,763 new ordinary shares in PUB, as the Pledged Consideration Shares, to be credited as fully paid to the pledged securities account maintained by the Escrow Agent who is authorised to hold the Pledged Consideration Shares on the Vendors' behalf.</p>	<p>These terms are reasonable as it states the obligation of PUB in relation to mode of payment of the Proposed Acquisition.</p> <p>For more details on our evaluation of the basis and justification of arriving at the Purchase Consideration and the Issue Price of the Consideration Shares, please refer to Sections 6.2 and 6.4 of this IAL. Additionally, the advantages of the full settlement of the Purchase Consideration via the issuance of Consideration Shares is set out in Section 6.1.3 of this IAL.</p>

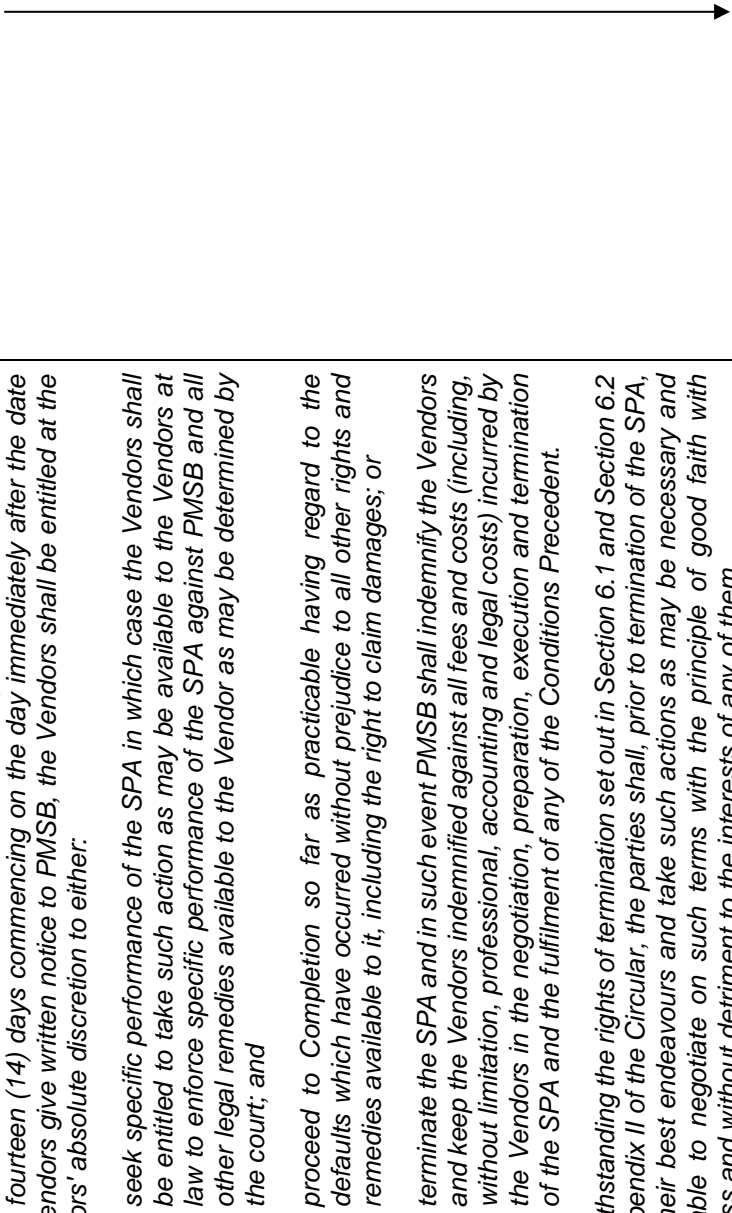
Salient terms	MainStreet's commentary
<p>4. Profit Guarantee</p> <p>4.1 The Vendors irrevocably and unconditionally guaranteed to PMSB that the aggregate of the actual PBT of Metahub, cumulative for the Guaranteed Financial Years reported by the Auditor (as defined in Section 4.3 of Appendix II of the Circular) ("Actual Aggregate PBT") shall collectively be not less than Ringgit Malaysia Fourteen Million (RM14,000,000.00) ("Aggregate Guaranteed Profit") on the following basis:</p> <ul style="list-style-type: none"> (i) Metahub shall achieve actual PBT of not less than Ringgit Malaysia Six Million (RM6,000,000.00) for the FYE 2024 ("FYE 2024 Minimum PBT"); and (ii) Metahub shall achieve actual PBT of not less than Ringgit Malaysia Eight Million (RM8,000,000.00) for the FYE 2025 ("FYE 2025 Minimum PBT"). <p>4.2 For the purposes of achieving the Aggregate Guaranteed Profit, the parties shall:</p> <ul style="list-style-type: none"> (i) not, without prior consent of PMSB, execute, implement or undertake any decision or action, which may have a negative impact on the Actual Aggregate PBT of Metahub, including but not limited to entering into new businesses or projects by Metahub which is not related to the existing business of Metahub and impose any management fees from holding company; (ii) provide funding supports where required, in the form of corporate guarantees or any means to meet existing banking facilities with financial institutions to enable Metahub to execute and complete its business to meet the Aggregate Guaranteed Profit; and (iii) with prior consent of PMSB which shall not be unreasonably withheld, permit the Vendors and their authorised representative access to Metahub's finances and accounts. 	<p>We are of the view that this term is reasonable. For more details on our evaluation of the Profit Guarantee, please refer to Section 6.3 of this IAL.</p>

Salient terms	MainStreet's commentary
<p>4.3 For the purposes of determining the actual PBT, PMSB shall procure and cause the auditor of PMSB or (at the sole discretion of PMSB) Metahub (“Auditor”) to complete its annual statutory audit in respect of the accounts of Metahub not later than four (4) months from the last day of each of the Guaranteed Financial Years. The actual PBT for each of the Guaranteed Financial Years shall be as stated in the audited accounts prepared and issued by the Auditor which has been approved by board of directors of Metahub (“Audited Accounts Approval Date”).</p> <p>4.4 In the event that following the Audited Accounts Approval Date in respect of the audited accounts of Metahub for all of the Guaranteed Financial Years the Actual Aggregate PBT for the Guaranteed Financial Years is less than the Aggregate Guaranteed Profit, the Vendors shall, upon receipt of a notice in writing issued by PMSB, pay to PMSB in cash the shortfall sum calculated based on the following (“Shortfall”):</p> <p style="padding-left: 40px;">Shortfall = (Aggregate Guaranteed Profit - Actual Aggregate PBT) x 51%</p> <p>4.5 The Vendors shall pay the Shortfall to PMSB not later than thirty (30) days from the Audited Accounts Approval Date for the FYE 2025, failing which the Vendors shall be jointly liable to pay to PMSB late payment interest at eight per cent (8%) per annum commencing from the date next following the Audited Accounts Approval Date for the FYE 2025 until the full settlement.</p> <p>4.6 The Profit Guarantee shall not be considered as revocable or satisfied by any intermediate payment but shall be a continuing guarantee and shall extend to cover any sum or sums of the Shortfall to PMSB until such time when the whole of the Shortfall shall have been fully paid.</p>	

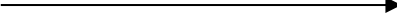
Salient terms	MainStreet's commentary
<p>4.7 Notwithstanding the Completion and without prejudice to all other rights and remedies available to PMSB, it shall constitute a material breach by the Vendors if the Vendors fail to pay and settle the Shortfall in full to PMSB within thirty (30) days from the Audited Accounts Approval Date for the FYE 2025, in which event PMSB shall be entitled, without any notice to or any further consent or concurrence by the Vendors, to instruct the Escrow Agent, by issuing a written notice stating the amount of the Shortfall that remains unpaid to PMSB ("Default Notice"), to:</p> <ul style="list-style-type: none"> (i) sell the remaining Pledged Consideration Shares or any part thereof in any manner (including sale by private treaty) so instructed by PMSB in the Default Notice; and (ii) utilise all or any moneys arising therefrom to recover the amount payable as stated in the said Default Notice to satisfy the Shortfall and all commissions and costs for the sale in any manner and on any terms as the Escrow Agent deems appropriate in accordance with the Default Notice. 	
<p>5. Completion</p> <p>Subject to the fulfilment of the Vendors' obligations and PMSB's obligations as respectively set out in the SPA, the Completion of the SPA shall take place on the date upon the expiry of thirty (30) days from the Unconditional Date or such other date as the Vendors and PMSB may mutually agree ("Completion Date").</p>	<p>This term is reasonable as it provides the timeframe in order to complete the Proposed Acquisition which is mutually agreed by PMSB and the Vendors and is typical for transactions of such nature.</p>

Salient terms	MainStreet's commentary
<p>6. Termination</p> <p>6.1 PMSB's right to terminate</p> <p><i>If, before or on the Completion Date:</i></p> <ul style="list-style-type: none"> (i) <i>it shall be found that any of the Vendors' warranties as stipulated in the SPA was, when given, or will be or would be, on the Completion Date (as if they had been given again at Completion) not complied with or otherwise untrue or misleading in any material respect;</i> (ii) <i>there is a breach of any material terms or conditions of the SPA or a failure to perform or observe any material undertaking, obligation or agreement in the SPA by the Vendors;</i> (iii) <i>a petition for winding up / bankruptcy is presented against Metahub and/or the Vendors;</i> (iv) <i>an order is made or a member's resolution is passed for the winding up/bankruptcy of Metahub and/or the Vendors;</i> (v) <i>an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of Metahub or any part of its assets and properties;</i> (vi) <i>an event analogous to any of the Section 6.1(iii), (iv) or (v) above has occurred in any jurisdiction; or</i> (vii) <i>any event occurs which affects or is likely to affect materially and adversely the financial position or business prospects of Metahub,</i> 	<p>These are standard terms of termination normally incorporated in an agreement for similar transactions. In the event that the Vendors defaulted prior to or on the Completion Date, these terms entitle PMSB to:</p> <ul style="list-style-type: none"> • the right of specific performance under the SPA or claim for damages as a result of such breaches by the Vendors; or • terminate the SPA with immediate effect in the manner set out in the SPA. <p>Such terms safeguard the interests of PMSB and therefore are reasonable.</p>

Salient terms	MainStreet's commentary
<p>then provided where the default is capable of being remedied, is not remedied within fourteen (14) days commencing on the day immediately after the date PMSB gives written notice to the Vendors or any period provided for under the SPA, PMSB shall be entitled at PMSB's absolute discretion to either:</p> <ul style="list-style-type: none"> (a) seek specific performance of the SPA in which case PMSB shall be entitled to take such action as may be available to PMSB at law to enforce specific performance of the SPA against the Vendors and all other legal remedies available to PMSB as may be determined by the court; and (b) proceed to Completion so far as practicable having regard to the defaults which have occurred without prejudice to all other rights and remedies available to it, including the right to claim damages; or (c) terminate the SPA and in such event, the Vendors shall jointly indemnify PMSB and keep PMSB indemnified against all fees and costs (including, without limitation, professional, accounting and legal costs) incurred by PMSB in the negotiation, preparation, execution and termination of the SPA and the fulfilment of any of the Conditions Precedent. <p>6.2 Vendors' right to terminate</p> <p>If, before or on the Completion Date:</p> <ul style="list-style-type: none"> (i) it shall be found that PMSB's warranties as stipulated in the SPA were, when given, or will be or would be, on the Completion Date (as if they had been given again at the Completion Date) not complied with or otherwise untrue or misleading in any material respect; or (ii) there is a breach of any material terms or conditions of the SPA or a failure to perform or observe any material undertaking, obligation or agreement in the SPA by PMSB, 	<p style="text-align: center;">→</p> <p>These are standard terms of termination normally incorporated in an agreement for similar transactions. Thus, these terms are reasonable as they set out the rights of recourse by the Vendors and the circumstances under which the SPA may be terminated.</p>

Salient terms	MainStreet's commentary
<p>then provided where the default is capable of being remedied, is not remedied within fourteen (14) days commencing on the day immediately after the date the Vendors give written notice to PMSB, the Vendors shall be entitled at the Vendors' absolute discretion to either:</p> <ul style="list-style-type: none"> (a) seek specific performance of the SPA in which case the Vendors shall be entitled to take such action as may be available to the Vendors at law to enforce specific performance of the SPA against PMSB and all other legal remedies available to the Vendor as may be determined by the court; and (b) proceed to Completion so far as practicable having regard to the defaults which have occurred without prejudice to all other rights and remedies available to it, including the right to claim damages; or (c) terminate the SPA and in such event PMSB shall indemnify the Vendors and keep the Vendors indemnified against all fees and costs (including, without limitation, professional, accounting and legal costs) incurred by the Vendors in the negotiation, preparation, execution and termination of the SPA and the fulfilment of any of the Conditions Precedent. <p>6.3 Notwithstanding the rights of termination set out in Section 6.1 and Section 6.2 of Appendix II of the Circular, the parties shall, prior to termination of the SPA, use their best endeavours and take such actions as may be necessary and equitable to negotiate on such terms with the principle of good faith with fairness and without detriment to the interests of any of them.</p>	

Salient terms	MainStreet's commentary
<p>7. Vendors' continuing warranties</p> <p>7.1 Notwithstanding Completion, the Vendors represent, warrant and undertake that licenses approving the following having been granted to Metahub from the DOE, with the terms and conditions satisfactory to PMSB, as soon as practicable within six (6) months from the Completion or such other period as the Parties may otherwise mutually agree in writing and in any such event within the timeline as required by the relevant authority (collectively referred to as the "DOE Licences");</p> <p>(i) approval to increase the annual capacity for aluminium from 2,400 MT a year to 36,000 MT a year; and</p> <p>(ii) approval to increase the annual capacity for wastewater treatment from 2,400 MT a year to 30,000 MT a year.</p>	<p>This term is reasonable as the Vendors have provided a timeline if the DOE Licences are not obtained after the Completion Date. For information purposes, Metahub had on 12 August 2024 received the DOE Approval to increase its wastewater reprocessing capacity whilst the DOE Approval for increased aluminium reprocessing capacity is still pending.</p>
<p>8. Indemnity</p> <p>8.1 From and after the Completion Date, the Vendors undertake and agree to pay and to indemnify fully, hold harmless and defend PMSB or Metahub (as PMSB may choose) from and against any and all the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by PMSB in connection with:</p> <p>(i) any losses, liabilities and/or contingent liabilities which the causes of action are accrued on or before the Completion Date;</p> <p>(ii) any inaccuracy or breach of any of the Vendors' warranties or undertakings in connection with the DOE Licences as set out in the SPA;</p> <p>(iii) any act or omission done or omitted to be done in respect of or pertaining to the Pledged Consideration Shares, including any loss, direct or indirect, arising from the sale, disposal, and/or realisation of, and/or dealing with, all or any of the Pledged Consideration Shares;</p>	<p>These terms are reasonable as they protect PUB from the risks, losses and liabilities incurred from and after the Completion Date.</p>

Salient terms	MainStreet's commentary
<p>(iv) any loss or depreciation in value of any of the Pledged Consideration Shares arising from or through such sale, disposal and/or realization by the Escrow Agent in the event of occurrence of Section 4.7 of Appendix II of the Circular including any difference between the proceeds arising therefrom and the Shortfall sum that remains unpaid to PMSB;</p> <p>(v) any proceedings taken by PMSB claiming that any of the Vendors' warranties or undertakings whether contained in the SPA or in any agreement, certificate or other document delivered pursuant to the SPA is inaccurate, untrue or misleading in any material respects or has been breached in any material respects and in which judgment is given for PMSB; and</p> <p>(vi) the enforcement of any such settlement or judgment specified in Section 8.1(v) of Appendix II of the Circular.</p>	

Based on our evaluation of the salient terms of the SPA above, we are of the view that the salient terms of the SPA are generally on normal commercial terms for transactions of such nature and are **reasonable**.

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6.6 Risk factors of the Proposed Acquisition

Section 5 of Part A of the Circular sets out the following risk factors of the Proposed Acquisition:

6.6.1 Risk of not achieving Metahub's profit forecast and projections or the Profit Guarantee

The profit forecast and projections as well as the Profit Guarantee are based on various bases and assumptions which are deemed reasonable, but nevertheless subject to certain uncertainties and contingencies, which may be outside of the management of Metahub's control. Such uncertainties may include delay or interruption to the reprocessing facilities and/or production output of Metahub, delay in obtaining the relevant authorities' approval for Metahub's business (including the DOE Approval for increase in aluminium reprocessing capacity), or disruption in obtaining the continuous supply of waste products for Metahub's business operations.

While the Board has taken reasonable steps to assess the achievability of the profit forecast and projections as well as the Profit Guarantee which include assessing Metahub's past financial performance, future cash flow projections as shown in the Valuation Certificate by AER, as well as the prospects and future plans of the enlarged Group as set out in Section 4.4 of Part A of the Circular, there can be no assurance that the profit forecast and projections or the Profit Guarantee will be met.

Further, based on MFRS 3 Business Combinations issued by the Malaysian Accounting Standards Board, PUB Group may recognise goodwill arising from the Proposed Acquisition. Goodwill represents the excess of the consideration over the Group's share of the fair value of the identifiable net assets acquired. If Metahub does not achieve the profit forecast and projections or the Profit Guarantee amount, or there are material changes or events arising that may adversely affect the business prospects and/ or assets of Metahub, the goodwill arising from the Proposed Acquisition may be subject to impairment, based on further consideration by the auditors of PUB.

In the event that Metahub is unable to obtain the DOE Approval to increase its aluminium reprocessing capacity within the expected timeframe, this will result in Metahub being unable to increase the output capacity of its aluminium reprocessing business to the projected capacity, resulting in lower revenue from this segment. This may impact Metahub's ability to meet its profit forecast and projections as well as the Profit Guarantee.

To mitigate the risk of Metahub not achieving the profit forecast and projections, the SPA has provided the following:

- (i) the Vendors have given their continuing warranties that the DOE Approval will be obtained within 6 months from the completion of the Proposed Acquisition, or such other period PMSB and the Vendors may otherwise mutually agree in writing and in any such event within the timeline as required by the relevant authorities; and
- (ii) there is indemnification provision from the Vendors for the breach of the Vendor's continuing warranties in connection with the DOE Approval.

Additionally, to mitigate the risk of Metahub not achieving the Profit Guarantee, the Group may claim a Shortfall sum from the Vendors in the manner set out in Section 2.4, Part A and Appendix II of the Circular.

Further, to mitigate the risk of Metahub of delay/ failure to obtain the DOE Approval to increase its aluminium reprocessing capacity, the Vendors and the management of Metahub will routinely follow up through verbal and written enquiries with the DOE, in order to address the DOE's concerns regarding awarding Metahub with approval for aluminium reprocessing.

Additionally, should the Vendors fail to pay to PMSB the Shortfall within 30 days from the Audited Accounts Approval Date for the FYE 2025, the Escrow Agent may be instructed by PMSB to sell the remaining Pledged Consideration Shares and transfer the proceeds arising therefrom to PMSB. Any loss in value upon sale of the Pledged Consideration Shares to the amount of Shortfall shall be paid by the Vendors, as outlined in Section 8.1 of Appendix II of the Circular. In the event the Vendors fail to pay the sum of loss in value from the sale of the Pledged Consideration Shares, the Purchaser will be entitled to legal remedies such as specific performance and/ or claim of damages from the Vendors.

Further, should the Vendors fail to abide by the Vendor's continuing warranties outlined in Section 7.1 of Appendix II of the Circular, the Purchaser shall be entitled to indemnity in accordance with Section 8.1(v) of Appendix II of the Circular, notwithstanding completion of the Proposed Acquisition.

For clarification purposes, there will not be any impact to the financial position or operations of Metahub in the event the Profit Guarantee is not met and the Shortfall sum is not paid.

6.6.2 Acquisition risk

The Proposed Acquisition is expected to bring positive contribution to the Company as set out in Section 3 of Part A of the Circular. However, there is no assurance that the current financial performance of Metahub will be sustainable in the future. Hence, there is no guarantee that the anticipated benefits from the Proposed Acquisition will be realised or that Metahub will be generating sufficient returns to offset the costs associated with the Proposed Acquisition.

We are of the view that the acquisition risk is a common aspect of similar acquisition proposals and the risk may reasonably be mitigated by the efforts taken by the Company via the due diligence review conducted on Metahub in considering the potential risks and benefits associated with the Proposed Acquisition.

6.6.3 Completion risk

The completion of the Proposed Acquisition is subject to, amongst others, the fulfilment of the conditions precedent of the SPA being fulfilled or if waivable, waived. If the conditions precedent are not fulfilled / waived within the timeframe stipulated in the SPA, the SPA will be terminated and the Proposed Acquisition will not be completed.

6.6.4 Risks associated with the metal recycling and reprocessing business

The Group will continue to face risks inherent in the metal recycling and reprocessing business, including but not limited to, the availability and cost of metal materials and regulations within the metal industry. There can be no assurance that the Group will be able to successfully mitigate the various risks inherent in the metal recycling and reprocessing business, and if unable to do so, the business operations and financial performance of the Group may be adversely affected.

However, the Group has been involved in the metal recycling and reprocessing business since the diversification exercise on 6 January 2023 and will continue to mitigate these risks through the review of its operations periodically and through prudent financial management to improve efficiency.

Notwithstanding the risk factors highlighted above, we note that the Board will ensure sufficient efforts are taken to satisfy the conditions precedent within the required timeframe. We wish to highlight that there can be no assurance that the conditions precedent as disclosed in Appendix II of the Circular will be fulfilled despite the Board's endeavour to take all reasonable steps to ensure the fulfilment of all the conditions precedent. If any of the conditions precedent of the SPA are not fulfilled or waived, the Proposed Acquisition may not be completed and the potential benefits from the Proposed Acquisition may not be materialised.

We wish to highlight that although efforts and measures would be taken by the Board and the management of PUB to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that the abovementioned risk factors will not occur and give rise to material and adverse impact on the operation and business of PUB, financial positions and/or PUB's prospects thereon.

In evaluating the Proposed Acquisition, you should carefully consider the said risk factors and their mitigating factors prior to voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM. Non-interested shareholders of PUB should also note that the risk factors mentioned therein are not meant to be exhaustive.

Notwithstanding the above risk factors, we believe the rationale and justifications of the Proposed Acquisition as disclosed in Section 3 of Part A of the Circular, outweigh the potential risks highlighted above.

6.7 Industry overview, outlook and future prospects of the enlarged Group

We note the overview and outlook of the Malaysian economy, recycling industry, metal recycling industry and future prospects of the enlarged Group as set out in Section 4 of Part A of the Circular.

Overview and outlook of the Malaysian economy

RAM Ratings maintains its projection for Malaysia's gross domestic product ("GDP") growth in 2024 at 4.5%-5.5% (2023: 3.6%). The stronger and more sustained economic momentum in 1H 2024 provides a clearer signal of Malaysia's economic recovery. Overall GDP growth accelerated over successive quarters, reaching 4.2% in 1Q 2024 and 5.9% in 2Q 2024 (1H 2024: 5.1%), from 2.9% in 4Q 2023. The acceleration in 2Q 2024 was driven by stronger private consumption (6.0%; 1Q 2024: 4.7%) and a further export recovery (8.4%; 1Q 2024: 5.2%), the latter boosted by the global tech upcycle. Growth was also supported by increased capital formation (11.5%; 1Q 2024: 9.6%) through higher capital investments and construction activities.

Economic growth is expected to remain healthy in 2H 2024, building on the robust momentum from 1H 2024, which should provide a solid foundation for sustained expansion. Domestic demand will remain the anchor for Malaysia's economic growth, supported by a healthy labour market, increased capacity building activity and continued rollout of multi-year infrastructure projects.

Looking ahead to 2025, RAM estimated a growth range of 4.0%-5.0%, as the economy enters a more stable growth phase after a turbulent few years. The economy is expected to benefit from the carryover effects of the stronger momentum observed in 1H 2024, with firmer conditions for domestic consumption and investment supporting its resilience. However, private consumption may face headwinds from the potential rollout of RON95 subsidy retargeting. While the impact to be somewhat mitigated by continued subsidies and financial assistance for lower-income households, any unintended price ripple effects from a poorly executed rollout could disrupt private consumption momentum. However, cautious remains on the global front, particularly on escalating geopolitical conflicts, heightened US-China tensions and potential global trade or supply-chain disruptions.

(Source: Quarterly Economic Update by RAM Ratings, published on 18 September 2024)

Overview and outlook of the metal recycling industry

The global metal recycling market size is expected to cross USD143 billion by the end of 2036, growing at a compound annual growth rate (“CAGR”) of 6% during the forecast period, 2024-2036. In the year 2023, the industry size of metal recycling was over USD70 billion. The market is expected to increase due to the increasing need for metals in various applications and the increasing scarcity of rare earth metals. According to calculations, in the next 5 years, over 70% of respondents in the automotive sector will see a shortage of metal. Conversely, the chemical and infrastructure sectors will see shortages of roughly 77% and 81%, respectively.

In addition to this, reprocessing of metal waste has been more popular over the past 20 years due to decreased greenhouse gas emissions and efficient energy management, both of which are significant factors anticipated to propel market expansion in the near future. For instance, the net greenhouse gas emissions from human activities increased by 43% between 1990 and 2020. Emissions of carbon dioxide, which account for about three-fourths of all emissions, increased by 51% during that period.

The market is anticipated to expand as a result of the increase in construction activities occurring in several areas, including Asia-Pacific and Europe. The market for metal recycling is growing in demand due to the rapid economic growth brought about by increased industrialization and urbanization. Consequently, increased government and consumer spending on housing and infrastructure as a result of growing urbanization boosts market growth.

Global government programmes that promote and encourage metal recycling have a big effect on the market as a whole. For instance, by establishing challenging goals and encouraging sustainable production and consumption methods, the circular economy package of the European Union seeks to enhance the recycling and reuse of commodities, including metal. All things considered, government initiatives for recycling metal are vital for encouraging environmentally friendly production and consumption methods, cutting waste and its negative effects on the environment, and propelling the world market for recycled metal.

The global metal recycling market is expanding as a result of end-use industries, including manufacturing, construction, and automotive, using metal more and more. Because recycled metal is just as good as virgin metal in terms of quality, cost, and environmental impact, the end-use industries are switching from employing virgin metal to recycled metal because of the previously cited reasons.

Metal recycling segmentation

The aluminium segment in the metal recycling market is expected to hold the largest share of about 39% during the forecast period. Recycling aluminium is becoming more popular than recycling other metals since it is less harmful to the environment because it uses less energy and emits fewer greenhouse gases. Reusing aluminium helps lower greenhouse gas emissions since it uses 95% less energy than making new aluminium from raw materials. Additional recycling of aluminium is economical since it uses less energy, which lowers production costs. Furthermore, because aluminium is used in so many different industries, including packaging, transportation, and building, demand for the metal is rising. Aluminium recycling makes it possible to satisfy this need without using up natural resources. As a result, there has been a notable increase in aluminium recycling in recent years due to a growing understanding of the advantages of recycling aluminium as well as economic and environmental factors.

Asia Pacific market forecast

The metal recycling market in the Asia-Pacific region is attributed to hold the largest global share of about 32% by the end of 2036. Being one of the world's top manufacturers of steel and aluminium, the area is responsible for the market's expansion.

(Source: Metal Recycling Market Size & Share, Forecast Report 2036, November 2023 report by Research Nester)

Malaysia metal scrap recycling market would witness robust growth over the forecast period due to an increase in metal scrap generation owing to the country's growing automotive and construction sector. Also, Malaysia is setting up its first-ever non-ferrous metals association aiming to bridge the gap between government, traders, and manufacturers, which would contribute towards the growth of the recycling market in the coming years. On the other hand, the COVID-19 has negatively impacted the metal scrap recycling market in Malaysia on account of logistics constraints followed by business restrictions. Furthermore, scrap metal recycling is projected to continue to grow in the future due to rapid infrastructural development.

According to 6Wresearch, Malaysia metal scrap recycling market is projected to grow at a CAGR of 5.6% during 2022-2028. The market is growing due to the government's focus on the expansion of the rail systems in Malaysia in line with government projects would increase the generation rate of metal scraps in the country. In addition to that, the rapid development of the manufacturing sector would have a significant contribution to the market expansion anticipated for the coming years. Moreover, rapidly rising urbanisation in the country would propel consumption of metals in the country via constructions of residential and commercial units to add volume in the urban market coupled with growth in the consumer electronics market which would result in increased dumping rates in future. Furthermore, increasing foreign direct investment in Malaysia's manufacturing sector is going to level up the production of metal scraps from the manufacturing sector of the country in coming years, thereby, it would multiply the potential of scrap collection and recycling in the country, and hence would open new growth horizons in Malaysia metal scrap recycling Industry.

Aluminium would be the fastest growing segment owing to metal's vast utility in the industrial and construction sector. Furthermore, aluminium, due to its excellent scrap value and lower energy needs, is expected to grow significantly during the forecast period.

(Source: Malaysia Metal Scrap Recycling Market (2022-2028), January 2023 report by 6Wresearch)

Future prospects of the enlarged Group

The Proposed Acquisition will enable the Group to move upstream in the Recycling Business, where the Group (through PMSB) is currently operating solely in the downstream trading of aluminium and carbon. The Group (via PMSB) engages in the trading of recycled products, which involves the purchase of metal scrap materials, outsourcing it to third parties for sorting and treatment, and the subsequent sale of these semi-finished materials to local smelter plants. Insofar, the trading of aluminium and carbon has contributed approximately RM32.50 million of the Group's total revenue for the FYE 2023, representing approximately 35.45% of the Group's total revenue. With the Proposed Acquisition, the Group can move upstream in its recycling process, where Metahub may facilitate the sorting and processing of the metal scraps in-house for PMSB to subsequently trade, rather than outsourcing the sorting and processing process to third parties, which may potentially reduce the Group's operating costs and improve its margins and overall financial performance.

Wastewater segment

For its wastewater treatment business, Metahub had on 12 August 2024 obtained the DOE Approval to increase its wastewater reprocessing capacity from 200 MT per month to 2,500 MT per month. In anticipation of this, Metahub has commenced negotiations with existing and potential customers in recent months such as food manufacturers as well as plastic and chemical manufacturers. Pursuant to discussions with existing and new customers, the management of Metahub anticipates these aforementioned customers to contribute an additional volume of 1,000 - 1,300 MT per month commencing in October 2024, and in the long run to increase further up to the full capacity of 2,500MT a month.

Based on the above, the management of Metahub has projected gross margin of between 35.0% to 40.0% for its wastewater segment, as compared to 4.2% based on Metahub's financial results as at 31 July 2024. This is further supported by the low fixed cost associated with upscaling the wastewater business, as Metahub's wastewater processing plant has completed upgrade in January 2024 to cater for the increased processing capacity. With the abovementioned, it is anticipated that the future revenue to be generated from the wastewater business and improved margins will contribute positively to the achievability of the Profit Guarantee and to the future earnings of the Group. This is in addition to the anticipated revenue increase contributed from the increased aluminium reprocessing capacity upon procuring the DOE approval.

Aluminium segment

Presently, Metahub is negotiating with its current and new customers involved in the manufacturing of aluminium and aluminium components and the trading of aluminium, with the aim of obtaining higher volume of scrap metal once the DOE Approval has been obtained. Based on the on-going negotiations with the aforementioned customers, the management of Metahub anticipates the volume of Metahub's aluminium reprocessing to increase from 100 MT per month as at the LPD to 1,000 - 2,400 MT per month, with a potential further increase once Metahub has commenced negotiations with its other current and new customers. The Board estimates to receive the DOE Approval for the increased capacity of aluminium reprocessing by the fourth quarter of 2024.

1 such customer, KYH Recycle, has on 24 September 2024, provided a signed letter of commitment to Metahub, i.e. the KYH Commitment which entails the commitment to engage Metahub's aluminium recycling and reprocessing services for a monthly quantity of 1,000 - 2,200 MT at a selling price per MT of RM800 - RM900. Pursuant to the KYH Commitment, KYH Recycle will enter into a 3-year contract with Metahub for the abovementioned quantity of aluminium reprocessed, commencing upon Metahub obtaining the DOE Approval for its increase in aluminium reprocessing capacity. Subject to the above, the revenue generated by Metahub from the KYH Commitment translates to approximately RM0.80 million to RM1.98 million a month.

Since January 2024, KYH Recycle has an ongoing working relationship with Metahub, whereby KYH Recycle has been providing approximately 100 MT of aluminium scrap to Metahub on a monthly basis. KYH Recycle is a 90% owned subsidiary of Technovate Holdings Sdn Bhd, which is jointly owned by the Interested Director, i.e. Koon Hoi Chun (Executive Chairman and Major Shareholder of PUB) and Koon Hon Hoong (the Interested Director's cousin). Presently, KYH Recycle has undergone recurrent related party transactions with the Group (through PMSB) during the FYE 2023, whereby KYH Recycle supplies reprocessed aluminium alloy ingots to PMSB to subsequently trade, in the amount of RM5.81 million.

Moving forward and upon completion of the Proposed Acquisition, the Group will continue to seek shareholders' approval for future recurrent related party transactions with KYH Recycle pursuant to the KYH Commitment. The Board opines that the KYH Commitment provides the Group with more certainty on the future financial performance of Metahub, given that KYH Recycle has committed to entering into a contract for the procurement of Metahub's services for a monthly aluminium quantity of 1,000 to 2,200 MT. This also provides greater visibility to the Board for the financial performance of Metahub and the achievability of the Profit Guarantee.

Based on the above, the management of Metahub has projected annual gross margins of 16.0% to 24.0% for its aluminium segment between the FYEs 2024 to 2028, as compared to 4.0% based on Metahub's financial results as at 31 July 2024. This is further supported by the low fixed cost associated with upscaling the aluminium business, as Metahub's aluminium processing plant has completed upgrade in January 2024 to cater for the increased processing capacity and the requirements of the DOE standards.

Copper segment

Further, as the copper reprocessing business is not contingent upon the DOE Approval, Metahub can begin reprocessing copper scraps at an estimated capacity of approximately 1,300 MT per month, upon completion of the upgrading of the copper reprocessing plant in fourth quarter of 2024.

Additionally, Metahub has entered into the Copper MOU with 2 new customers (both of which are principally involved in the business of trading of mixed scrap waste) which entails Metahub providing copper recycling and reprocessing services for a period of 2 years, beginning 1 November 2024, for a total quantity of 650 - 750 MT a month. Subject to the above, the revenue generated by Metahub from the Copper MOU translates to approximately RM0.59 million to RM0.83 million a month.

The management of Metahub has projected annual gross margins of 33.0% to 38.0% between the FYEs 2024 to 2028 for its copper segment, based on expected staff costs, carbon block expenses, utilities, filter bag replacement, upkeep of machinery, and other miscellaneous costs.

Trading segment

As at the LPD, Metahub has secured additional sale and purchase agreements and purchase orders with customers of its trading segment, totalling to RM17.35 million, which is expected to be recognised over a period from October 2024 to March 2025. These customers are involved in metal manufacturing and trading. Thus far, Metahub's trading segment has recorded gross margin of 12.0% as at 31 July 2024, which has exceeded the initial forecast by the management of Metahub of 5.0%, attributable to Metahub's negotiations with its suppliers to allow for the purchase of goods at lower prices due to increased order quantities.

Premised on the above, the management of Metahub has provided an estimated revenue to be generated by its recovery and reprocessing businesses (based on negotiations with current and new customers) as follows:

Scenario	Indicative monthly capacity (MT)	Assumed selling price per MT (RM) ⁽¹⁾	Estimated monthly revenue (RM) ⁽²⁾	Estimated annual revenue (RM) ⁽²⁾
Aluminium				
LPD	100	750 - 950	85,000	1,020,000
Upon obtaining the DOE Approval in fourth quarter of 2024 ⁽³⁾	1,000 - 2,400	750 - 950	850,000 - 2,040,000	10,200,000 - 24,480,000
Maximum capacity	3,000	750 - 950	2,550,000	30,600,000
Wastewater				
LPD	150	800 - 1,000	135,000	1,620,000
October 2024 ⁽⁴⁾	1,150 - 1,450	800 - 1,000	1,035,000 - 1,305,000	12,420,000 - 15,660,000
Maximum capacity	2,500	800 - 1,000	2,250,000	27,000,000
Copper⁽⁵⁾				
Planned capacity	1,300	900 - 1,100	1,300,000	15,600,000
Maximum capacity	1,560	900 - 1,100	1,560,000	18,720,000

Notes:

- (1) *The assumed selling price per MT shown is based on the management of Metahub's internal estimates and projections.*
- (2) *Estimated revenue generated based on the median of the assumed selling price range.*
- (3) *Illustrative capacity based on Metahub's negotiations with existing and potential new customers as well as taking into consideration the KYH Commitment.*
- (4) *Metahub had obtained the DOE Approval for an increased wastewater reprocessing capacity of 2,500 MT a month on 12 August 2024. The capacity shown here is based on Metahub's negotiations with existing and potential new customers and is anticipated to gradually commence in October 2024.*
- (5) *For information purposes, the capacity for reprocessing of copper does not require approval from the DOE.*

In tandem with this, the management of Metahub does not anticipate significant increase in its cost of sales in conjunction with the increase in capacity as Metahub's current aluminium and wastewater plants have already been upgraded to cater to the increased capacity and the DOE requirements, and therefore may not incur significant fixed costs (i.e. depreciation and labour cost). Further, Metahub's copper reprocessing business is not subject to the DOE Approval and Metahub's copper reprocessing plant currently under refurbishment has a maximum reprocessing capacity of 1,560 MT per month. In conjunction with the increase in reprocessing capacity of Metahub's aluminium and copper businesses, Metahub will obtain more scrap waste from its customers, which will also increase the number of scrap waste that Metahub trades, thereby enhancing the revenue contribution of its trading business.

With an estimated EBITDA margin and PAT margin of 19.7% and 13.4% for the FYE 2025, Metahub is expected to generate an estimated EBITDA and PAT of approximately RM19.12 million and RM13.0 million respectively. With the estimated increase in the volume of aluminium and wastewater treated per month, and the commencement of the copper reprocessing business in fourth quarter of 2024, the Board opines that this will augur well with Metahub's business expansion plans to potentially enhance Metahub's financial performance.

The Board (save for the Interested Director), taking cognisance of the principal activities and future business plans of Metahub, opine that the Proposed Acquisition provides the Group with an opportunity to expand its present Recycling Business by undertaking upstream metal recycling activities, while also entering the treating of production wastewater. The Board also intends to leverage on the expertise of Koon Hoi Chun and the infrastructure of PMSB combined with Metahub, to create synergistic benefits such as an increased customer base from the enlarged Group and the sharing of workforce and production facilities to minimise costs and improve gross margins.

Additionally, the Board has taken cognisance of the positive market outlook of the recycling and metal recycling industry in Malaysia as stated in Sections 4.2 and 4.3 of Part A of the Circular. The Board continues to see expanding opportunities in the recycling industry, driven by a growing emphasis on environmental, social, and governance practices, as international countries and corporations focus on addressing environmental issues such as global warming through, among others, regulating waste disposal and promoting industrial and consumer recycling.

Upon completion of the Proposed Acquisition, Metahub will become a 51% owned subsidiary of the Group and the revenue generated by Metahub will contribute to the revenue of the Group's Recycling Business. Barring any unforeseen circumstances and taking cognisance of the above, the Board opines that the Proposed Acquisition augurs well with the Group's business expansion plans and remains carefully optimistic regarding the future prospects of the enlarged Group.

(Source: Management of PUB)

MainStreet's commentary:

Premised on the positive outlook of the recycling industry and metal recycling industry as stated in Sections 4.2 and 4.3 of Part A of the Circular and the increasing demand for environmental, social, and governance practices due to the focus of international governments and corporations on addressing environmental issues, the Group is well placed towards realising a sustainable future, upon completion of the Proposed Acquisition.

The anticipated increase in volume for reprocessing of aluminium (subject to the DOE Approval) and wastewater (commencing progressively from October 2024 onwards), as well as the commencement of the copper reprocessing business in fourth quarter of 2024 are expected to augur well with the Group's business expansion plans.

Further, with the positive outlook of the aluminium industry on the back of increasing demand for aluminium in various industries (such as packaging, automotive, property and construction), Metahub could benefit from companies that are involved in the manufacturing of aluminium and aluminium components and the trading of aluminium, ramping up their production to meet the rising demand which would lead to greater supply of scrap and waste materials for Metahub to reprocess.

This is in line with the Group's business strategy to strengthen its Recycling Business and expand its operations into upstream by including the recycling of metals, in addition to its current downstream trading of recycled products. The synergy between PUB and Metahub is expected to accelerate growth prospects of the enlarged PUB Group and may provide opportunity to expand its income stream in the future.

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6.8 Effects of the Proposed Acquisition

As at the LPD, the issued share capital of PUB is RM84,902,259 comprising 83,829,652 Shares. Further, as at the LPD, the Company does not retain any treasury shares. In addition, the Company had on 20 April 2023 established a LTIS and the maximum number of new PUB Shares to be granted or issued pursuant to the exercise of the LTIS options shall not in aggregate exceed 15% of the total issued Shares at any point in time during the duration of the LTIS.

As at the LPD, the Company has not granted any shares or options pursuant to the LTIS. Further, for the purpose of implementing the Proposed Acquisition, the Board has undertaken not to grant any options or shares pursuant to the LTIS prior to the completion of the Proposed Acquisition. Pursuant thereto, the effects of the Proposed Acquisition will be illustrated on the basis that none of the shares or options from the LTIS are granted prior to the completion of the Proposed Acquisition.

We take note of the effects of the Proposed Acquisition as set out in Section 6 of Part A of the Circular and our comments on the pro forma effects are as follows:

(i) Issued share capital

The Proposed Acquisition will increase the share capital of PUB from RM84.90 million to RM135.90 million (or from 83,829,652 Shares to 101,117,788 Shares) as the consequential effect arising from the issuance of the Consideration Shares, as set out in the table below:

	No. of Shares	RM
Issued share capital as at the LPD	83,829,652	84,902,259
Consideration Shares to be issued pursuant to the Proposed Acquisition	17,288,136	51,000,000
Enlarged share capital	101,117,788	135,902,259

(ii) NA per Share and gearing

For illustrative purposes, the pro forma effects of the Proposed Acquisition on the NA, NA per Share and gearing of the Group, based on the latest audited financial statements as at 31 December 2023 and on the assumption that the Proposed Acquisition had been effected on 1 January 2023 are as follows:

	Audited FYE 2023 RM	After the Proposed Acquisition RM
Share capital	84,902,259	135,902,259 ⁽¹⁾
Merger reserves	(4,618,481)	(4,618,481)
Revaluation reserves	32,628,210	32,628,210
Accumulated losses	(36,351,489)	(36,851,489) ⁽²⁾
NA	76,560,499	127,060,499
Number of Shares in issue	83,829,652	101,117,788
NA per Share (RM)	0.91	1.26
Total borrowings (RM)	11,137,856	11,137,856
Gearing level (times)	0.15	0.09

Notes:

- (1) Assuming 17,288,136 Consideration Shares are issued at the Issue Price of RM2.95 pursuant to the Proposed Acquisition.
- (2) After deducting the estimated expenses of RM0.50 million in relation to the Proposed Acquisition.

Pursuant to the completion of the Proposed Acquisition, based on the latest audited financial statements as at 31 December 2023, the illustrative proforma effects shows the following:

- (a) an improvement in the NA as at 31 December 2023 from RM76.56 million to RM127.06 million (or from NA per PUB Share of RM0.91 to RM1.26; and
- (b) a reduction in gearing of the Group from 0.15 times to 0.09 times.

(iii) Earnings and EPS

Save for the Profit Guarantee, the Proposed Acquisition is not expected to have any immediate material effect on the earnings and EPS of the Group for FYE 2024. Nevertheless, barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the earnings and the EPS of the Group in future financial years.

For illustrative purposes, based on the Company's latest audited consolidated financial statements for FYE 2023 and assuming the Proposed Acquisition had been effected on 1 January 2023 (i.e. at the beginning of FYE 2023), the pro forma effects of the Proposed Acquisition on the earnings and the EPS of the PUB Group are as follows:

	Audited FYE 2023 RM	After the Proposed Acquisition RM
PAT (attributable to shareholders) ⁽¹⁾	9,149,159	9,149,159
Recognition of (LAT) from Metahub ⁽²⁾	-	(816,810)
Less: Estimated expenses of the Proposed Acquisition	-	(500,000)
Total PAT	9,149,159	7,832,349
No. of Shares in issue	83,829,652	101,117,788
Basic EPS (sen)	10.91	7.75

Notes:

- (1) Based on the latest audited consolidated financial results of PUB for FYE 2023.
- (2) Based on the latest audited consolidated financial results of Metahub for FYE 2023, multiplied by the 51% equity interest to be acquired.

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(iv) Substantial shareholding structure

	Shareholdings as at the LPD				After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Koon Hoi Chun	1,938,900	2.31	39,979,794 ⁽³⁾	47.69	1,938,900	1.92	53,810,303 ⁽⁴⁾	53.22
ACSB	39,979,794	47.69	-	-	39,979,794	39.54	-	-
IASB	-	-	-	-	13,830,509	13.68	-	-
Ung Yoke Hong	-	-	-	-	3,457,627	3.42	-	-

Notes:

- (1) Based on total number of 83,829,652 PUB Shares.
- (2) Based on total number of 101,117,788 PUB Shares after the Proposed Acquisition.
- (3) Deemed interested by virtue of his equity interest in ACSB.
- (4) Deemed interested by virtue of his equity interest in ACSB and IASB.

The issuance of the Consideration Shares will result in an increase in the shareholding of Koon Hoi Chun (Executive Chairman and Major Shareholder of PUB). His shareholdings will increase from 50.0% (2.31% direct shareholding; 47.69% indirect shareholding through his 100% equity interest in ACSB) to 55.14% (1.92% direct shareholding; 53.22% indirect shareholding through his equity interest in ACSB and IASB). Accordingly, the Proposed Acquisition will not give rise to any obligation to undertake a mandatory take-over offer in the Company, in view that Koon Hoi Chun and ACSB have held statutory control over the Company (i.e. holding of more than 50% of the voting shares or voting rights) in accordance with the Rules.

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Subparagraph 8.02(1) of the Listing Requirements stipulates that a listed issuer must ensure that at least 25% of the total listed shares (excluding treasury shares, if any) are in the hands of public shareholders. Assuming the Proposed Acquisition is completed as at the LPD, the public shareholding spread of the Company will decrease from 49.64% to 44.57%, as set out below:

Particular	As at the LPD		After the Proposed Acquisition	
	No. of Shares	%	No. of Shares	%
Issued share capital of PUB	83,829,652	100.00	101,117,788	100.00
Less: Directors of PUB and its subsidiaries, substantial shareholders of PUB, and associates of Directors or substantial shareholders of PUB	42,218,694	50.36	56,049,203	55.43
Public shareholding	41,610,958	49.64	45,068,585	44.57

Accordingly, the public shareholding spread of the Company is not expected to fall below 25% of the enlarged issued share capital after the completion of the Proposed Acquisition.

(v) Convertible securities

As at the LPD, save for the LTIS options, the Group does not have any other convertible securities.

Based on the above, we are of the view that the overall financial effects of the Proposed Acquisition are not detrimental to the interest of the non-interested shareholders of PUB.

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7. OUR CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and have set out our evaluation in Section 6 of this IAL. In arriving at our opinion on the fairness and reasonableness of the Proposed Acquisition, we have taken into consideration the following pertinent factors:

- (i) The rationale and justifications for the Proposed Acquisition are **reasonable**;
- (ii) The basis and justification in arriving at the Purchase Consideration are **fair**;
- (iii) The basis and justification of the Issue Price of the Consideration Share are **fair**;
- (iv) The salient terms of the SPA are **reasonable**;
- (v) The financial effects of the Proposed Acquisition are **not detrimental** to the non-interested shareholders of PUB;
- (vi) The prospects of the enlarged PUB Group after the Proposed Acquisition are positive; and
- (vii) The business risk profile of PUB will not change significantly upon completion of the Proposed Acquisition.

Premised on the factors discussed above and our evaluation of the Proposed Acquisition based on the information made available to us, we are of the view that the Proposed Acquisition is **fair** and **reasonable** and **not detrimental** to the non-interested shareholders of PUB.

Accordingly, we recommend that you **vote in favour** of the resolution in respect of the Proposed Acquisition to be tabled at the forthcoming EGM.

We have not taken into consideration any specific investment objective, financial situation, risk profile any particular need of any individual non-interested shareholders of PUB or any specific groups of non-interested shareholders of PUB. We recommend that any non-interested shareholder of PUB or any specific groups of non-interested shareholders of PUB who require specific advice in relation to the Proposed Acquisition in the context of their individual investment objectives, financial situation, or particular needs, to consult their respective stockbrokers, bank managers, investment advisers, accountants, solicitors, or other professional advisers.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

Yours faithfully,
MAINSTREET ADVISERS SDN BHD

Lai Swee Sim
Managing Director

Nurul Ain Khirul Ashar
Director

1. HISTORY AND BUSINESS

Metahub was incorporated in Malaysia on 7 March 2005 as a private limited company under the Act. Metahub is principally involved in the business of recovery and reprocessing of precious metals from production waste & electronic scrap and related activities. Specifically, Metahub derives its revenue from the following activities:-

- i. **Recovery and reprocessing** of the following:-
 - **Metal (i.e. aluminium, copper, tin and nickel)** – Metahub collects electronic scraps from electronic companies in Malaysia and subsequently sorts and processes the waste to recover recycled metals such as aluminium, copper, tin and nickel by smelting the electronic scraps to its melting points in specially dedicated furnaces. For information purposes, there are currently no agreements signed with the abovementioned electronic companies. The revenue derived by Metahub is based on the quantity of the metals processed in MT, depending on the type of metal processed. Metahub carries out its metal recycling and reprocessing business through its reprocessing plant in Skudai, Johor; and
 - **Wastewater** – Metahub collects and processes production wastewater by treating the wastewater and removing unwanted particles (e.g. polycyclic aromatic hydrocarbons (PAH), particulate matter (PM), etc.). Metahub derives its revenue from its wastewater reprocessing business through charging a fee for each MT of production wastewater collected. Metahub carries out its wastewater reprocessing business through its plant in Skudai, Johor.
- ii. **Trading of scrap waste** – After sorting the electronic scrap collected from its customers, Metahub trades the excess scrap waste which cannot be recycled or reprocessed.

The current capacity of Metahub's aluminium reprocessing plant is 200MT/ month and the management of Metahub has applied to the DOE for a license to increase the reprocessing capacity of its aluminium plant to 3000MT/ month. Further, pursuant to obtaining DOE approval for the increase in wastewater reprocessing capacity in August 2024, Metahub's reprocessing capacity of its wastewater plant is 2500MT/ month.

Metahub's principal place of business is located at its reprocessing facilities at Lot 2247 & 2248, Jalan Seelong Jaya 8, Seelong Jaya, 81300 Skudai, Johor, whereby it owns the facilities and the land on which the facilities are erected on. Additionally, the aforementioned land has a freehold tenure, with a land area of approximately 416,735 square feet and the built-up area of the reprocessing facilities is approximately 157,526 square feet. Further, the net book value of the land and the reprocessing facilities (including an office building and workers' hostel) based on the audited financial statements of Metahub for the FYE 31 December 2023 is approximately RM1.93 million and RM9.93 million, respectively.

For information purposes, the major component of Metahub's assets is property, plant and equipment amounting to RM20.50 million (in aggregate), which constitutes approximately 70.81% of its total assets of RM28.95 million as at the FYE 31 December 2023. These assets predominantly consist of the buildings that constitute its reprocessing facilities, the abovementioned freehold land in Skudai, plant and machinery, and 1 commercial vehicle (a UD truck for the transportation of scrap and waste) used in the business of Metahub. For further information, the details of Metahub's main plant and machinery are set out as follows:-

No.	Plant and machinery	Usage
1	Tin purifying equipment	Metal manufacturing (tin)
2	1-unit 5T crane and 1-unit 3T overhead crane	Waste management

APPENDIX I – INFORMATION ON METAHUB

No.	Plant and machinery	Usage
3	1-unit handheld analyser and 1-unit spectrometer	Analysing the purity of metal levels
4	1-unit briquette making machine	Wastewater segment
5	1-unit 5T forklift	Various business segments

The following is a breakdown of Metahub's revenue between its local and international customers:-

	Audited FYE 31 December					
	2021		2022		2023	
	RM	%	RM	%	RM	%
Malaysia	12,641,441	88.92	11,748,764	80.62	6,261,629	68.10
Taiwan	1,575,800	11.08	2,823,483	19.38	2,933,379	31.90
	14,217,241	100.00	14,572,247	100.00	9,195,008	100.00

As at the LPD, Metahub has 35 employees involved in the operation of its reprocessing facilities. For information purposes, Metahub had no spending on research and development during the FYE 31 December 2023 and no employees working on research and development.

2. SHARE CAPITAL

As at the LPD, the issued share capital of Metahub is RM1,000,000 comprising 1,000,000 ordinary shares in Metahub. Further, Metahub does not have any convertible securities as at the LPD.

3. DIRECTORS AND SHAREHOLDERS

As at the LPD, the directors and shareholders of Metahub and their direct shareholdings in Metahub are set out below:-

Name	Designation	Nationality/ Place of incorporation	No. of shares	%
Yee Kwong Yik	Director	Malaysian	-	-
Mah Chin Cheong	Director	Malaysian	-	-
Kenneth Ang Wee Keong	Director	Malaysian	-	-
Koon Hon Hoong	Director	Malaysian	-	-
Ung Yoke Hong	Director/ Shareholder	Malaysian	200,000	20.00
IASB	Shareholder	Malaysia	800,000	80.00

4. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, Metahub does not have any subsidiary, joint venture and/ or associate companies

5. MATERIAL CONTRACTS

As at the LPD, Metahub has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

APPENDIX I – INFORMATION ON METAHUB

6. MATERIAL LITIGATION

As at the LPD, Metahub is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the director of Metahub confirms that there are no proceedings pending or threatened against Metahub, or any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of Metahub.

7. MATERIAL COMMITMENTS

As at the LPD, the directors of Metahub confirms that there are no material commitments incurred or known to be incurred by Metahub which, upon becoming enforceable, may have a material impact on the financial results/ position of Metahub.

8. CONTINGENT LIABILITIES

As at the LPD, the directors of Metahub confirms that there are no contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of Metahub.

9. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of Metahub for the past 3 financial years up to the FYE 31 December 2023 and the 7 months management accounts of Metahub as at 31 July 2024 is set out below:-

	←-----Audited FYE 31 December-----→			Management accounts as at 31 July 2024
	2021 RM	2022 RM	2023 RM	July 2024 RM
Revenue	14,217,241	14,572,247	9,195,008	20,300,993
Other income	882,243	5,758,150	680,557	124,856
PBT/ (LBT)	221,436	5,496,625	(1,926,691)	973,160
PAT/ (LAT)	99,836	5,207,658	(1,601,589)	739,602 ^{*1}
Share capital	1,000,000	1,000,000	1,000,000	1,000,000
NA	23,037,096	28,244,754	26,643,165	27,616,327
Current assets	10,647,842	14,350,608	8,454,400	9,095,972
Current liabilities	4,229,080	1,821,545	1,777,653	1,356,804
Cash and cash equivalents	3,794,968	9,706,786	3,618,451	2,973,647
Total borrowings	846,038	656,325	457,252	337,859
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
EPS/ (LPS) (RM)	0.10	5.21	(1.60)	0.74 ^{*1}
NA per share (RM)	23.04	28.24	26.64	27.62
Gearing ratio (times)	0.04	0.02	0.02	0.01
Current ratio (times)	2.52	7.88	4.76	6.70

Note:-

^{*1} The PAT figure is computed illustratively based on the corporate tax rate of 24%.

For the past 3 audited financial years up to the FYE 31 December 2023:-

- i. There were no exceptional or extraordinary items;
- ii. There is no accounting policy adopted by Metahub which is peculiar to Metahub because of the nature of its business or the industry it is involved in; and
- iii. There was no audit qualification in its audited financial statements.

APPENDIX I – INFORMATION ON METAHUB

A commentary of Metahub's financial performance based on its audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2023 is set out below:-

FYE 31 December 2021 vs FYE 31 December 2022

Metahub's revenue increased by 2.46% to RM14.57 million for the FYE 31 December 2022 (FYE 31 December 2021: RM14.22 million). The growth was mainly attributable to the increase in revenue from Metahub's metal recovery and reprocessing business by RM0.61 million or approximately 13.09%. The increase was also attributable to the higher tin prices during the FYE 31 December 2022.

In conjunction with the increase in Metahub's revenue, Metahub's PBT increased by 2400% to RM5.50 million for the FYE 31 December 2022 (FYE 31 December 2021: RM0.22 million), mainly attributable to the following:-

- i. higher margins from Metahub's metal recovery and reprocessing business, mainly due to higher tin prices during the FYE 31 December 2022;
- ii. gain on disposal of property, plant and equipment amounting to RM4.34 million; and
- iii. higher rental income of RM1.20 million (FYE 31 December 2021: RM0.70 million).

FYE 31 December 2022 vs FYE 31 December 2023

Metahub's revenue decreased by 36.86% to RM9.20 million for the FYE 31 December 2023 (FYE 31 December 2022: RM14.57 million), mainly attributable to the following:-

- i. decline in revenue from Metahub's trading of scrap waste business by 50.55% to RM4.90 million (FYE 31 December 2022: RM9.91 million), mainly due to lesser contracts received from Metahub's major customer for its trading of scraps business in the FYE 31 December 2023; and
- ii. upgrading of Metahub's wastewater plant throughout the FYE 31 December 2023, which had reduced Metahub's wastewater reprocessing capacity, thereby reducing revenue by 35.94% to RM0.82 million (FYE 31 December 2022: RM1.28 million). The aforementioned upgrading works have been completed as at January 2024, which may enable Metahub to increase its wastewater reprocessing capacity.

In conjunction with the decrease in Metahub's revenue, Metahub also recorded LBT of RM1.93 million for the FYE 31 December 2023 as compared to PBT of RM5.50 million for the FYE 31 December 2022. This was mainly attributable to the absence of a gain on disposal of property, plant and equipment amounting to RM4.34 million, recorded in the FYE 31 December 2022.

7 months management accounts of Metahub as at 31 July 2024

Metahub recorded revenue of RM20.30 million based on its 7 months management accounts as at 31 July 2024, which represents an increase of 120.65% to its audited 12 months revenue of RM9.20 million for the FYE 31 December 2023. The increase in revenue is largely attributable to Metahub's trading business, which has recorded revenue of RM15.02 million as at 31 July 2024, representing an increase of 206.53% as compared to RM4.90 million for the FYE 31 December 2023. The management of Metahub had increased the activity and volume of its trading business in 2024 to a larger scale by engaging new customers and suppliers, while pending DOE approval for its aluminium and wastewater reprocessing businesses. As some of these new customers and suppliers are also involved in the business of manufacturing metals or goods that require metal as a component, they may also engage Metahub for its aluminium and copper reprocessing services moving forward.

In conjunction with the increase in Metahub's revenue, Metahub has also recorded a PBT position of RM0.97 million as at 31 July 2024, compared to LBT of RM1.93 million for the FYE 31 December 2023.

APPENDIX I – INFORMATION ON METAHUB

In addition to the increase in revenue contribution from Metahub's trading business, Metahub has also obtained DOE approval to increase its wastewater reprocessing capacity from 200MT a month to 2500MT a month in August 2024. With this, the management of Metahub is finalising negotiations with existing and potential customers to engage Metahub's wastewater reprocessing business at a larger capacity, which is anticipated to gradually commence in September 2024. Further, Metahub may not require significant fixed costs associated with the increase in capacity for its wastewater business, as Metahub's wastewater reprocessing plant has already been upgraded in January 2024 to cater for the increased reprocessing capacity, thereby improving the margins of Metahub's wastewater reprocessing business.

Taking into consideration the above, the management of Metahub anticipates for its revenue and profitability to further improve moving forward.

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**10. AUDITED FINANCIAL STATEMENTS OF METAHUB FOR THE FYE 31 DECEMBER 2023
WITH THE NOTES AND AUDITOR' REPORT**

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

FINANCIAL REPORT
for the financial year ended 31 December 2023

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.

(Incorporated in Malaysia)

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Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of recovery and reprocessing of precious metal from production waste and electronic scrap and to carry on the business of freight transport by road and other service activities incidental to land transportation.

RESULT

	RM
Loss after taxation for the financial year	<u>(1,601,589)</u>

DIVIDEND

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required.

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS (CONT'D)

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Company.

CURRENT ASSETS

Before the financial statements of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

APPENDIX I – INFORMATION ON METAHUB

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Ung Yoke Hong
Yee Kwong Yik
Kenneth Ang Wee Keong (Appointed on 01.01.2023)
Koon Hon Hoong (Appointed on 01.01.2023)
Mah Chin Cheong (Appointed on 01.01.2023)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company during the financial year are as follows:-

	<-----Number of Ordinary Shares----->			
	At 1.1.2023	Bought	Sold	At 31.12.2023
<u>Ordinary Shares in the Holding Company, Incredible Ark Sdn. Bhd.</u>				
<i>Direct Interests</i>				
Koon Hon Hoong	1	24,149,999	-	24,150,000
<u>Ordinary Shares in the Company</u>				
<i>Direct Interests</i>				
Ung Yoke Hong	200,000	-	-	200,000
<i>Indirect Interests</i>				
Koon Hon Hoong [^]	800,000	-	-	800,000

[^] Deemed interested by virtue of his direct substantial shareholding in Incredible Ark Sdn. Bhd.

By virtue of his shareholdings in the holding company, Koon Hon Hoong is deemed to have interests in shares in its related corporations during the financial year to the extent of the holding company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares, options over unissued shares or debentures of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

APPENDIX I – INFORMATION ON METAHUB

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:-

	2023
	RM
Salaries, bonuses and other benefits	452,318
Defined contribution benefits	54,000
	<hr/>
	506,318
	<hr/>

INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

HOLDING COMPANY

The holding company is Incredible Ark Sdn. Bhd., a company incorporated in Malaysia.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Company for the financial year was RM28,000.

Signed in accordance with a resolution of the directors dated **23 MAY 2024**



Koon Hon Hoong



Kenneth Ang Wee Keong

APPENDIX I – INFORMATION ON METAHUB

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Koon Hon Hoong and Kenneth Ang Wee Keong, being two of the directors of Metahub Industries Sdn. Bhd., state that, in the opinion of the directors, the financial statements set out on pages 9 to 35 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2023 and of its financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated **23 MAY 2024**



Koon Hon Hoong



Kenneth Ang Wee Keong

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Koon Hon Hoong, being the director primarily responsible for the financial management of Metahub Industries Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 9 to 35 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Koon Hon Hoong, NRIC Number: 910921-10-5417
at Johor Bahru
in the state of Johor
on this **23 MAY 2024**



Koon Hon Hoong

Before me



NO. 8, JALAN DHOBY
80000 JOHOR BAHRU
JOHOR



Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
E-2-3 Pusat Komersial Bayu Tasek
Persiaran Southkey 1
Kota Southkey
80150 Johor Bahru, Johor
Malaysia
Main +6 07 288 6627
Fax +6 07 338 4627
www.crowe.my

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
METAHUB INDUSTRIES SDN. BHD.**

(Incorporated in Malaysia)
Registration No: 200501006347 (683394-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Metahub Industries Sdn. Bhd., which comprise the statement of financial position as at 31 December 2023 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 9 to 35.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
METAHUB INDUSTRIES SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)

Registration No: 200501006347 (683394-A)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
METAHUB INDUSTRIES SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)

Registration No: 200501006347 (683394-A)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also (Cont'd):-

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Johor Bahru

23 MAY 2024

Wong Tak Mun
01793/09/2024 J
Chartered Accountant

APPENDIX I – INFORMATION ON METAHUB

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

	Note	2023 RM	2022 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	20,497,273	16,836,486
CURRENT ASSETS			
Inventories	7	4,000,899	3,683,414
Trade receivables	8	392,694	521,747
Other receivables, deposits and prepayments	9	230,355	129,341
Current tax asset		212,001	309,320
Cash and bank balances		3,618,451	9,706,786
		8,454,400	14,350,608
TOTAL ASSETS		28,951,673	31,187,094
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	1,000,000	1,000,000
Retained profits		25,643,165	27,244,754
TOTAL EQUITY		26,643,165	28,244,754
NON-CURRENT LIABILITIES			
Term loan	11	254,955	460,995
Deferred tax liabilities	12	275,900	659,800
		530,855	1,120,795
CURRENT LIABILITIES			
Trade payables	13	537,766	722,713
Other payables and accruals	14	1,037,590	903,502
Term loan	11	202,297	195,330
		1,777,653	1,821,545
TOTAL LIABILITIES		2,308,508	2,942,340
TOTAL EQUITY AND LIABILITIES		28,951,673	31,187,094

APPENDIX I – INFORMATION ON METAHUB

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RM	2022 RM
REVENUE	15	9,195,008	14,572,247
COST OF SALES		(10,357,410)	(13,231,117)
GROSS (LOSS)/PROFIT		(1,162,402)	1,341,130
OTHER INCOME		680,557	5,758,150
ADMINISTRATIVE EXPENSES		(1,388,224)	(1,375,262)
SELLING AND DISTRIBUTION EXPENSES		(37,394)	(33,733)
FINANCE COSTS		(19,228)	(29,707)
OTHER OPERATING EXPENSE		-	(163,953)
(LOSS)/PROFIT BEFORE TAXATION	16	(1,926,691)	5,496,625
TAX INCOME/(EXPENSE)	17	325,102	(288,967)
(LOSS)/PROFIT AFTER TAXATION/TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR		(1,601,589)	5,207,658

APPENDIX I – INFORMATION ON METAHUB

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Share Capital RM	Retained Profits RM	Total Equity RM
Balance at 1.1.2022	1,000,000	22,037,096	23,037,096
Profit after taxation/Total comprehensive income for the financial year	-	5,207,658	5,207,658
Balance at 31.12.2022/1.1.2023	1,000,000	27,244,754	28,244,754
Loss after taxation/Total comprehensive expenses for the financial year	-	(1,601,589)	(1,601,589)
Balance at 31.12.2023	1,000,000	25,643,165	26,643,165

APPENDIX I – INFORMATION ON METAHUB

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RM	2022 RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(1,926,691)	5,496,625
Adjustments for:-			
Depreciation of property, plant and equipment		917,581	1,013,278
Finance costs		19,228	29,707
Loss/(Gain) on disposal of property, plant and equipment		17,629	(4,340,881)
Impairment loss on deposit paid		-	163,953
Interest income		(142,674)	(55,291)
Property, plant and equipment written off		9,508	-
Operating (loss)/profit before working capital changes		(1,105,419)	2,307,391
Increase in inventories		(317,485)	(192,788)
Decrease in trade and other receivables		28,039	1,969,537
Decrease in trade and other payables		(50,859)	(2,627,267)
CASH FLOWS (FOR)/FROM OPERATIONS		(1,445,724)	1,456,873
Income tax refunded		329,719	85,750
Income tax paid		(291,198)	(151,567)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(1,407,203)	1,391,056
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES			
Interest received		142,674	55,291
Proceeds from disposal of property, plant and equipment		22,245	7,790,000
Purchase of property, plant and equipment		(4,627,750)	(3,061,621)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(4,462,831)	4,783,670
CASH FLOW FOR FINANCING ACTIVITIES			
Interest paid	18	(19,228)	(29,707)
Repayment of hire purchase obligations	18	-	(43,488)
Repayment of term loans	18	(199,073)	(189,713)
NET CASH FLOW FOR FINANCING ACTIVITIES		(218,301)	(262,908)
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES		(6,088,335)	5,911,818
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR		9,706,786	3,794,968
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR		3,618,451	9,706,786

Registration No: 200501006347 (683394-A)

METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	31-04 Level 31, Menara Landmark No. 12 Jalan Ngee Heng 80000 Johor Bahru, Johor
Principal place of business	:	Lot 2247 & 2248, Jalan Seelong Jaya 8 Seelong Jaya 81400 Senai Johor

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated **23 MAY 2024**

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of recovery and reprocessing of precious metal from production waste and electronic scrap and to carry on the business of freight transport by road and other service activities incidental to land transportation.

3. HOLDING COMPANY

The holding company is Incredible Ark Sdn. Bhd., a company incorporated in Malaysia.

4. BASIS OF PREPARATION

The financial statements of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under material accounting policy information, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

4.1 During the current financial year, the Company has adopted the following new accounting standards (including the consequential amendments, if any):-

MFRSs (Including The Consequential Amendments)

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

The adoption of the above applicable accounting standards (including the consequential amendments, if any) did not have any material impact on the Company's financial statements.

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4. BASIS OF PREPARATION (CONT'D)

- 4.2 The Company has not applied in advance the following applicable accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

The adoption of the above applicable accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

5. MATERIAL ACCOUNTING POLICY INFORMATION

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(b) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 7 to the financial statements.

(c) Impairment of Trade Receivables

The Company uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Company develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables. The carrying amounts of trade receivables as at the reporting date are disclosed in Notes 8 to the financial statements.

(d) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax asset as at the reporting date is RM212,001 (2022 – RM309,320).

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Company's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

5.2 FINANCIAL INSTRUMENTS

(a) Financial Assets

Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)**5.2 FINANCIAL INSTRUMENTS (CONT'D)****(b) Financial Liabilities**Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

(c) EquityOrdinary Shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

5.3 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at cost less any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates are:-

Buildings	2%
Air conditioner and electrical installation	6.70% to 10%
Furniture, fittings and equipment	10% to 33%
Motor vehicles	10% to 20%
Plant and machinery	6.70% - 33%
Renovation	10%

Asset work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.4 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

5.5 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Sales of Goods

Revenue from sale of goods is recognised when the Company has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Rendering of waste management service

Revenue is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

5.6 OTHER OPERATING INCOME

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

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APPENDIX I – INFORMATION ON METAHUB

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METAHUB INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****6. PROPERTY, PLANT AND EQUIPMENT**

	At 1.1.2023 RM	Additions RM	Disposals RM	Written off (Note 16) RM	Depreciation Charges (Note 16) RM	At 31.12.2023 RM
2023						
<i>Carrying Amount</i>						
Freehold land	1,933,374	-	-	-	-	1,933,374
Buildings	10,101,962	115,453	-	(6,278)	(277,240)	9,933,897
Air conditioner and electrical installation	419,915	7,000	-	-	(103,896)	323,019
Furniture, fittings and equipment	11,708	22,795	-	-	(4,441)	30,062
Motor vehicles	55,243	353,748	-	-	(76,079)	332,912
Plant and machinery	1,269,888	235,996	(39,874)	(3,230)	(446,296)	1,016,484
Renovation	44,396	-	-	-	(9,629)	34,767
Capital work-in-progress	3,000,000	3,892,758	-	-	-	6,892,758
	16,836,486	4,627,750	(39,874)	(9,508)	(917,581)	20,497,273

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APPENDIX I – INFORMATION ON METAHUB

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**NOTES TO THE FINANCIAL STATEMENTS
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6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2022 RM	Additions RM	Disposals RM	Depreciation Charges (Note 16) RM	At 31.12.2022 RM
2022					
<i>Carrying Amount</i>					
Freehold land	4,967,582	-	(3,034,208)	-	1,933,374
Buildings	10,378,753	-	-	(276,791)	10,101,962
Air conditioner and electrical installation	477,425	44,721	-	(102,231)	419,915
Bearer plants	122,622	-	(122,622)	-	-
Furniture, fittings and equipment	13,966	2,800	-	(5,058)	11,708
Motor vehicles	210,887	-	(35,710)	(119,934)	55,243
Plant and machinery	1,754,551	14,100	-	(498,763)	1,269,888
Renovation	54,897	-	-	(10,501)	44,396
Capital work-in-progress	-	3,000,000	-	-	3,000,000
	17,980,683	3,061,621	(3,192,540)	(1,013,278)	16,836,486

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6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2023			
Freehold land	1,933,374	-	1,933,374
Buildings	13,406,285	(3,472,388)	9,933,897
Air conditioner and electrical installation	1,711,817	(1,388,798)	323,019
Furniture, fittings and equipment	305,547	(275,485)	30,062
Motor vehicles	1,248,847	(915,935)	332,912
Plant and machinery	6,649,035	(5,632,551)	1,016,484
Renovation	687,342	(652,575)	34,767
Capital work-in-progress	6,892,758	-	6,892,758
	<u>32,835,005</u>	<u>(12,337,732)</u>	<u>20,497,273</u>
2022			
Freehold land	1,933,374	-	1,933,374
Buildings	13,299,532	(3,197,570)	10,101,962
Air conditioner and electrical installation	1,713,384	(1,293,469)	419,915
Bearer plants	-	-	-
Furniture, fittings and equipment	286,896	(275,188)	11,708
Motor vehicles	895,099	(839,856)	55,243
Plant and machinery	7,018,985	(5,749,097)	1,269,888
Renovation	698,542	(654,146)	44,396
Capital work-in-progress	3,000,000	-	3,000,000
	<u>28,845,812</u>	<u>(12,009,326)</u>	<u>16,836,486</u>

7. INVENTORIES

	2023 RM	2022 RM
Raw materials	9,922	10,191
Work-in-progress	96,851	96,845
Finished goods	2,334,392	2,922,590
Trading goods	1,559,734	653,788
	<u>4,000,899</u>	<u>3,683,414</u>
Recognised in profit or loss:-		
Inventories recognised as cost of sales	<u>10,357,410</u>	<u>13,231,117</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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The Company's normal trade credit terms range from 10 to 45 (2022 – 30) days.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	RM	RM
Other receivables	88,700	-
Deposits	283,940	259,740
Prepayments	21,668	33,554
	<u>394,308</u>	<u>293,294</u>
Allowance of impairment loss on deposit	(163,953)	(163,953)
	<u>230,355</u>	<u>129,341</u>
Allowance of impairment loss on deposit:-		
At 1 January	163,953	-
Addition during the financial year (Note 16)	-	163,953
At 31 December	<u>163,953</u>	<u>163,953</u>

10. SHARE CAPITAL

	2023	2022	2023	2022
	Number Of Shares		RM	RM
Issued And Fully Paid-Up				
Ordinary Shares				
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

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**NOTES TO THE FINANCIAL STATEMENTS
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	2023	2022
	RM	RM
Current liabilities	202,297	195,330
Non-current liabilities	254,955	460,995
	<u>457,252</u>	<u>656,325</u>

- (a) The term loan is secured by joint and several guarantee from certain directors of the Company.
- (b) The interest rate profile of the term loan is summarised below:-

	Effective Interest Rate %	2023	2022
		RM	RM
Fixed rate term loan	3.50	<u>457,252</u>	<u>656,325</u>

12. DEFERRED TAX LIABILITIES

	At 1.1.2023 RM	Recognised in Profit or Loss (Note 17) RM	At 31.12.2023 RM
2023			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	698,500	(17,200)	681,300
<i>Deferred Tax Assets</i>			
Unabsorbed capital allowance	(38,700)	(65,200)	(103,900)
Unabsorbed industrial building allowance	-	(27,500)	(27,500)
Unutilised tax losses	-	(274,000)	(274,000)
	<u>(38,700)</u>	<u>(366,700)</u>	<u>(405,400)</u>
	<u>659,800</u>	<u>(383,900)</u>	<u>275,900</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****12. DEFERRED TAX LIABILITIES (CONT'D)**

	At 1.1.2022 RM	Recognised in Profit or Loss (Note 17) RM	At 31.12.2022 RM
2022			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	756,500	(58,000)	698,500
<i>Deferred Tax Assets</i>			
Unabsorbed capital allowance	(36,000)	(2,700)	(38,700)
Unabsorbed industrial building allowance	(15,500)	15,500	-
	(51,500)	12,800	(38,700)
	705,000	(45,200)	659,800

Based on the current legislation, the unused tax losses for 2019 onwards are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment while the unabsorbed capital allowances and unabsorbed industrial building allowance are allowed to be carried forward indefinitely.

The Company's unused tax losses of RM274,000 (2022 – RM Nil) can be carried forward up to the years of assessment 2033 (2022 – Nil) respectively.

13. TRADE PAYABLES

The normal trade credit term granted to the Company range from 30 to 60 (2022 - 7) days.

14. OTHER PAYABLES AND ACCRUALS

	2023 RM	2022 RM
Other payables	260,970	50,026
Accruals	478,373	295,360
Payroll liabilities	298,247	298,116
Deposit received	-	260,000
	1,037,590	903,502

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	2023	2022
	RM	RM
<u>At a point in time</u>		
Waste management and recovery of metal	4,290,956	4,659,635
Trading	4,904,052	9,912,612
	<u>9,195,008</u>	<u>14,572,247</u>

16. (LOSS)/PROFIT BEFORE TAXATION

	2023	2022
	RM	RM
(Loss)/Profit before taxation is arrived at after charging:-		
Auditors' remuneration:		
- current financial year	28,000	19,000
Depreciation of property, plant and equipment (Note 6)	917,581	1,013,278
Directors' remuneration (Note 19)	506,318	628,454
Impairment loss on deposit (Note 9)	-	163,953
Loss on disposal of property, plant and equipment	17,629	-
Property, plant and equipment written off (Note 6)	9,508	-
Staff cost:		
- salaries, bonuses and allowances	636,232	334,604
- defined contributions benefits	64,775	39,735
Interest expense on financial liabilities not at fair value through profit or loss		
- term loan	19,228	28,588
- hire purchase	-	1,119
and crediting:-		
Gain on disposal of property, plant and equipment	-	4,340,881
Interest income on financial assets measured at amortised cost	142,674	55,291
Gain on foreign exchange		
- realised	11,215	3,981
- unrealised	38,152	33,743
Rental income	400,000	1,200,000

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****17. TAX INCOME/(INCOME TAX EXPENSE)**

	2023	2022
	RM	RM
Income tax:		
- for the financial year	-	338,400
- under/(over)provision in the previous financial year	58,798	(4,233)
	<u>58,798</u>	<u>334,167</u>
Deferred tax (Note 12):		
- origination and reversal of temporary differences	(381,800)	(10,400)
- overprovision in the previous financial year	(2,100)	(34,800)
	<u>(383,900)</u>	<u>(45,200)</u>
	<u>(325,102)</u>	<u>288,967</u>

A reconciliation of income tax expense applicable to the (loss)/profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	2023	2022
	RM	RM
(Loss)/Profit before taxation	<u>(1,926,691)</u>	<u>5,496,625</u>
Tax at the statutory tax rate of 24% (2022 - 24%)	(462,406)	1,319,190
Tax effects of:-		
Effect of change in corporate income tax rate	-	(42,000)
Non-deductible expenses	80,606	93,992
Gain on disposal of properties subject to real property gain tax	-	(1,043,182)
Under/(Over)provision of income tax in the previous financial year	58,798	(4,233)
Overprovision of deferred tax in the previous financial year	(2,100)	(34,800)
	<u>(325,102)</u>	<u>288,967</u>

The Company is subject to the Malaysian income tax rates of 15% for the first RM150,000 of chargeable income, 17% for the first chargeable income ranging between RM150,001 up to RM600,000 and 24% on the remaining chargeable income. In the last financial year, the income tax rates were 17% on the first RM600,000 of chargeable income and 24% on the remaining chargeable income.

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The reconciliations of liabilities arising from financing activities are as follows:-

	Term Loan RM
2023	
At 1 January	656,325
<u>Changes in Financing Cash Flows</u>	
Repayment of principal	(199,073)
Repayment of interests	(19,228)
<u>Other Changes</u>	
Interest expense recognised in profit or loss	19,228
At 31 December	<u>457,252</u>

	Term Loan RM	Hire Purchases RM	Total RM
2022			
At 1 January	846,038	43,488	889,526
<u>Changes in Financing Cash Flows</u>			
Repayment of principal	(189,713)	(43,488)	(233,201)
Repayment of interests	(28,588)	(1,119)	(29,707)
<u>Other Changes</u>			
Interest expense recognised in profit or loss	28,588	1,119	29,707
At 31 December	<u>656,325</u>	-	<u>656,325</u>

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19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation during the financial year are as follows: -

	2023	2022
	RM	RM
Directors		
<u>Directors of the Company</u>		
Short-term employee benefits:		
- salaries, bonuses and other benefits	452,318	562,004
Defined contribution benefits	54,000	66,450
	<u>506,318</u>	<u>628,454</u>

20. FINANCIAL INSTRUMENTS

The activities of the Company is exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

20.1 FINANCIAL RISK MANAGEMENT POLICIES

The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of the Company. The currency giving rise to this risk is primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Company also hold cash and bank balances denominated in foreign currency for working capital purposes.

The exposure to foreign currency risk (a currency which is other than the functional currency of the Company) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

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20. FINANCIAL INSTRUMENTS (CONT'D)

20.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure

	USD	RM
2023		
<u>Financial Assets</u>		
Cash and bank balances	406,639	
Trade receivables	110	
	<u>406,749</u>	
2022		
<u>Financial Asset</u>		
Cash and bank balances		<u>133,508</u>

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currency at the end of the reporting period, with all other variables held constant:-

	2023 RM	2022 RM
Effects on (Loss)/Profit After Taxation		
USD/RM		
- strengthened by 12% (2022 - 14%)	38,239	13,974
- weakened by 12% (2022 - 14%)	<u>(38,239)</u>	<u>(13,974)</u>

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Company adopts a policy of obtaining the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The fixed rate debt instruments of the Company are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

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20. FINANCIAL INSTRUMENTS (CONT'D)**20.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(ii) Interest Rate Risk (Cont'd)**

The exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 11 to the financial statements.

Interest Rate Risk Sensitivity Analysis

The sensitivity analysis for fixed rate term loan at the end of the reporting period is not presented as change in interest rate would not have impact to the profit or loss.

(iii) Equity Price Risk

The Company does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Also, the Company's exposure to credit risk includes corporate guarantee given to financial institutions for credit facilities granted to related party. The Company monitors the ability of the related party to serve its loans on an individual basis.

(i) Credit Risk Concentration Profile

The Company's major concentration of credit risk relates to the amounts owing by 6 (2022 – 4) customers which constituted approximately 86% (2022 – 86%) of its trade receivables as at the end of the reporting period.

In addition, the Company also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	2023	2022
	RM	RM
Malaysia	392,584	521,747
Taiwan	110	-
	<u>392,694</u>	<u>521,747</u>

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20. FINANCIAL INSTRUMENTS (CONT'D)**20.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(ii) Maximum Exposure to Credit Risk**

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

The Company has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the receivables. The Company closely monitors the receivables' financial strength to reduce the risk of loss.

At each reporting date, the Company evaluates whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Company considers a receivable to be in default when the receivables is unlikely to repay its debt to the Company in full or is more than 180 days past due.

Trade Receivables

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the historical credit losses experienced by the Company. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts.

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20.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The Company measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

Allowance for Impairment Losses

	Gross Amount RM	Lifetime Individual Allowance RM	Carrying Amount RM
2023			
Current (not past due)	71,841	-	71,841
1 to 30 days past due	275,368	-	275,368
31 to 60 days past due	23,650	-	23,650
61 to 90 days past due	1,230	-	1,230
more than 90 days past due	20,605	-	20,605
	392,694	-	392,694
2022			
Current (not past due)	55,762	-	55,762
1 to 30 days past due	281,824	-	281,824
31 to 60 days past due	43,453	-	43,453
61 to 90 days past due	30,911	-	30,911
more than 90 days past due	109,797	-	109,797
	521,747	-	521,747

Other receivables

Other receivables are also subject to the impairment requirements of MFRS 9, no impairment loss was identified and hence, it is not provided for.

Cash and Bank Balances

The Company considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Company is of the view that the loss allowance is immaterial and hence, it is not provided for.

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20. FINANCIAL INSTRUMENTS (CONT'D)

20.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

2023	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM		1 – 5 Years RM
			Within 1 Year RM	1 – 5 Years RM	
<i>Non-derivative Financial Liabilities</i>					
Trade payables	-	537,766	537,766	-	-
Other payables and accruals	-	1,037,590	1,037,590	1,037,590	-
Term loan	3.50	457,252	454,794	218,301	236,493
		2,032,608	2,030,150	1,793,657	236,493

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20. FINANCIAL INSTRUMENTS (CONT'D)

20.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)**

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

2022	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM
Non-derivative Financial Liabilities					
Trade payables	-	722,713	722,713	722,713	-
Other payables and accruals	-	903,502	903,502	903,502	-
Term loan	3.50	656,325	673,095	218,301	454,794
Financial guarantee contracts in relation to corporate guarantee given to a company in which a director has a substantial financial interest					
		-	777,232	777,232	-
		2,282,540	3,076,542	2,621,748	454,794

The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

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20. FINANCIAL INSTRUMENTS (CONT'D)

20.2 CAPITAL RISK MANAGEMENT

The Company manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Company at the end of the reporting period is not presented as its cash and bank balances exceeded the total external borrowings.

20.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2023	2022
	RM	RM
Financial Assets		
<u>Amortised Cost</u>		
Trade receivables (Note 8)	392,694	521,747
Other receivables (Note 9)	88,700	-
Cash and bank balances	3,618,451	9,706,786
	<u>4,099,845</u>	<u>10,228,533</u>
Financial Liabilities		
<u>Amortised Cost</u>		
Trade payables (Note 13)	537,766	722,713
Other payables and accruals (Note 14)	1,037,590	903,502
Term loan (Note 11)	457,252	656,325
	<u>2,032,608</u>	<u>2,282,540</u>

20.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2023	2022
	RM	RM
Financial Assets		
<u>Amortised Cost</u>		
Net income recognised in profit or loss	<u>192,041</u>	<u>93,015</u>
Financial Liabilities		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss	<u>(19,228)</u>	<u>(29,707)</u>

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The fair values of the financial assets and financial liabilities of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instrument or repayable on demand terms.

As the Company does not have any financial instruments carried at fair value, the following table sets out the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1	Level 2	Level 3		
	RM	RM	RM		
2023					
<u>Financial Liability</u>					
Term loan	-	438,586	-	438,586	457,252
2022					
<u>Financial Liability</u>					
Term loan	-	618,666	-	618,666	656,325

Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

The fair value of term loan that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2023 RM	2022 RM
Term loan	6.70%	6.45%

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	2023 RM	2022 RM
REVENUE		
- Waste management and recovery of metal	4,290,956	4,659,635
- Trading	4,904,052	9,912,612
	<u>9,195,008</u>	<u>14,572,247</u>
LESS: COST OF GOODS SOLD		
Inventories brought forward	3,576,378	3,149,006
Purchases of trading goods	5,500,224	8,776,382
Costs of finished goods produced (Schedule A)	5,174,934	4,882,107
Inventories carried forward	(3,894,126)	(3,576,378)
	<u>10,357,410</u>	<u>13,231,117</u>
GROSS (LOSS)/PROFIT	(1,162,402)	1,341,130
ADD: OTHER INCOME		
Gain on disposal of property, plant and equipment	-	4,340,881
Gain on foreign exchange		
- realised	11,215	3,981
- unrealised	38,152	33,743
Interest income	142,674	55,291
Rental income	400,000	1,200,000
Sundry income	55,790	68,904
Transport charges	32,726	55,350
	<u>680,557</u>	<u>5,758,150</u>
LESS: EXPENSES		
Administrative expenses (Schedule B)	(1,388,224)	(1,375,262)
Selling and distribution expenses (Schedule C)	(37,394)	(33,733)
Finance costs (Schedule C)	(19,228)	(29,707)
Other operating expense (Schedule C)	-	(163,953)
	<u>(1,444,846)</u>	<u>(1,602,655)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	<u>(1,926,691)</u>	<u>5,496,625</u>

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	2023 RM	2022 RM
SCHEDULE A		
MANUFACTURING ACCOUNT		
RAW MATERIALS CONSUMED		
Inventories brought forward	10,191	252,657
Customs service charges	713	-
Carriage inwards	121,494	24,722
Purchase of raw materials	1,800,609	3,217,045
	<u>1,933,007</u>	<u>3,494,424</u>
Inventories carried forward	(9,922)	(10,191)
	<u>1,923,085</u>	<u>3,484,233</u>
DIRECT LABOUR		
EPF contributions	41,101	22,014
Foreign workers fees	41,997	1,963
Salaries, bonuses and allowances	384,144	176,811
SOCSSO	4,707	2,508
Subcontractors charges	1,101,831	2,390
	<u>1,573,780</u>	<u>205,686</u>
FACTORY OVERHEAD		
Depreciation of property, plant and equipment	723,536	775,555
Disposal charges	25,070	1,250
Factory insurance	26,984	26,984
Rental of forklift	67,200	40,600
Rental of machineries	98,135	67,307
Rental of warehouse	22,191	-
Security charges	109,870	101,801
Upkeep of factory equipment	89,423	10,563
Upkeep of plant and machinery	367,517	93,435
Upkeep of premises	59,140	23,091
Water and electricity	89,009	59,484
	<u>1,678,075</u>	<u>1,200,070</u>
WORK-IN-PROGRESS		
Inventories brought forward	96,845	88,963
Inventories carried forward	(96,851)	(96,845)
	<u>(6)</u>	<u>(7,882)</u>
COSTS OF FINISHED GOODS PRODUCED	<u>5,174,934</u>	<u>4,882,107</u>

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	2023	2022
	RM	RM
SCHEDULE B		
ADMINISTRATIVE EXPENSES		
Advertisement	-	3,379
Audit fee	28,000	19,000
Bank charges	469	562
Carriage outwards	8,988	120
Depreciation of property, plant and equipment	194,045	237,723
Directors' remuneration	450,238	560,206
Directors' remuneration - EPF contributions	54,000	66,450
Directors' remuneration - SOCSO	2,080	1,798
Donations	1,424	5,000
EIS contributions	289	192
Entertainment	15,865	8,362
EPF contributions	23,674	17,721
General expenses	16,287	4,315
HRDF	8,103	6,933
Insurance	15,817	16,474
Licence fee	1,420	1,219
Loss on disposal of property, plant and equipment	17,629	-
Medical fee	1,130	2,291
Office refreshment	12,038	8,254
Penalty	8,000	3,000
Petrol and diesel	7,074	6,180
Postage	958	857
Printing and stationery	6,010	2,666
Professional service charges	130,650	129,642
Property, plant and equipment written off	9,508	-
Quit rent	73,354	74,046
Registration fee	249	295
Rental of photocopier machine	3,870	1,320
Road tax	5,314	5,307
Salaries, bonus and allowances	194,460	143,515
Sales and service tax	-	14,576
Service and maintenance charges	3,260	421
SOCSO	2,532	1,682
Staff welfare	-	1,000
Telephone and fax charges	7,191	6,972
Training fee	5,000	3,200
Travelling expenses	38,066	10,874
Upkeep of office equipment	37,025	9,678
Water and electricity	4,051	-
Withholding tax expenses	156	32
	<u>1,388,224</u>	<u>1,375,262</u>

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	2023	2022
	RM	RM
SCHEDULE C		
SELLING AND DISTRIBUTION EXPENSES		
Petrol and oil	11,722	8,779
Sales commission	2,477	7,037
Upkeep of hostel	13,181	-
Upkeep of motor vehicles	10,014	17,917
	<u>37,394</u>	<u>33,733</u>
FINANCE COSTS		
Interest expense on hire purchase	-	1,119
Term loan interest	19,228	28,588
	<u>19,228</u>	<u>29,707</u>
OTHER OPERATING EXPENSE		
Impairment loss on deposit	-	163,953
	<u>-</u>	<u>163,953</u>

This statement is prepared for management purposes only and does not form part of the audited financial statements of the Company.

The following is a summary of the salient terms of the SPA:-

1. Conditional agreement to sell and purchase

- 1.1 Subject to the Conditions Precedent (as defined in **Section 2.1 of Appendix II**) being fulfilled (or if waivable, waived in accordance with **Section 2.2 of Appendix II**), the Vendors agreed to sell and PMSB, relying on, amongst other things, the representations, warranties and undertakings contained in the SPA, agreed to purchase the Sale Shares, on a willing buyer willing seller basis, free from any security interest and together with all rights, benefits and entitlements attaching to the Sale Shares (including all dividends and distributions, whether declared or undeclared, in respect thereof) and with full legal and beneficial title and accruing as at and from the Completion Date (as defined in **Section 5 of Appendix II**) on the terms and subject to the conditions contained in the SPA at the Purchase Consideration (as defined in **Section 3.1 of Appendix II**) of **Ringgit Malaysia Fifty-One Million (RM51,000,000.00)** to be wholly satisfied vide allotment and issuance of new ordinary shares in PUB to the Vendors in accordance with **Section 3** below.

2. Conditions Precedent

- 2.1 The completion of the sale and purchase of the Sale Shares pursuant to the SPA ("**Completion**") is subject to the following conditions precedent ("**Conditions Precedent**") being fulfilled or waived (as applicable) within three (3) months commencing on the day immediately after the date of the SPA or any further extended period as mutually agreed in writing by the parties ("**Conditional Period**").

Conditions Precedent to be fulfilled by the Vendors

- (i) Receipt by PMSB or its solicitors the certified true copy of the board of directors' resolution of Metahub approving:-
- (a) the transfer and registration of the Sale Shares in favour of PMSB;
 - (b) the cancellation of the old share certificates issued in the name of the Vendors and the issuance of new share certificate in respect of the Sale Shares in favour of PMSB, if applicable;
 - (c) the entering into the register of members of Metahub, the name of PMSB, as the holder of the Sale Shares; and
 - (d) the appointment of such persons nominated by PMSB as directors, company secretary and auditor of Metahub in accordance with the written instruction received from PMSB with effect from the Completion Date.
- (ii) Obtaining of all the necessary approvals, consents and/or waivers from the financiers, creditors, regulatory authorities or third parties, if applicable, in respect of the sale and transfer of the Sale Shares in favour of PMSB, and where conditions have been imposed in respect of any of the above approvals, consents and/or waivers, such conditions being on terms reasonably satisfactory to PMSB.
- (iii) Receipt by PMSB or its solicitors the certified true copy of the board of directors' and shareholder's resolution, as the case may be, of IASB approving:-
- (a) the entry of the SPA by IASB in accordance with the terms and subject to the conditions of the SPA; and
 - (b) the disposal of the Sale Shares to PMSB pursuant to the SPA.

Conditions Precedent to be fulfilled by PMSB

- (i) Obtaining of the approval of PUB's shareholders at an extraordinary general meeting to be convened for the Proposed Acquisition.
 - (ii) Receipt of the approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares (as outlined in **Section 3.1 of Appendix II**) on the Main Market of Bursa Securities ("**Bursa Approval**").
 - (iii) Receipt by the Vendors the certified true copy of the board of directors' and shareholder's resolution, as the case may be, of PMSB approving:-
 - (a) the entry of the SPA by PMSB in accordance with the terms and subject to the conditions of the SPA; and
 - (b) the acquisition of the Sale Shares from the Vendors pursuant to the SPA.
- 2.2 The SPA will become unconditional upon the Vendors' receipt of the written confirmation from PMSB's solicitors that all Conditions Precedent have been fulfilled and satisfied or waived ("**Unconditional Date**"). PMSB may waive any of the Conditions Precedent save and except for any Conditions Precedent that is for PMSB to fulfil. Any Condition Precedent agreed to be waived by PMSB will be deemed as a satisfaction or fulfilment of that Condition Precedent solely for the purpose to facilitate the Completion provided always that Vendors are required to satisfy the conditions after the Completion within such period of time as required by PMSB.

3. Payment of Purchase Consideration

- 3.1 Subject to adjustment as may be required by any relevant authority, the aggregate consideration for the purchase of the Sale Shares shall be in an aggregate sum of Ringgit Malaysia Fifty-One Million (RM51,000,000.00) only ("**Purchase Consideration**") shall be satisfied by PUB allotting and issuing the Consideration Shares to the Vendors in the manner as follows:
- (i) the sum of **Ringgit Malaysia Forty Million and Eight Hundred Thousand (RM40,800,000.00)** only shall be paid by PMSB to IASB by way of issuance of 13,830,509 new PUB Shares to IASB; and
 - (ii) the sum of **Ringgit Malaysia Ten Million and Two Hundred Thousand (RM10,200,000.00)** only shall be paid by PMSB to Ung Yoke Hong by way of issuance of 3,457,627 new PUB Shares to Ung Yoke Hong.
- 3.2 PMSB undertakes to procure that PUB shall issue the Consideration Shares at RM2.95 each based on a discount of approximately 7.07% to the 5-day volume weighted average price of the Consideration Shares up to and including 24 May 2024 free from all security interests and to be credited to the following accounts accordingly, within thirty (30) days from the Unconditional Date or such other date as the Parties may mutually agree upon in writing (whichever is later):
- (i) approximately 72.55% of the Consideration Shares, which is equivalent to 12,542,373 new ordinary shares in PUB, to be credited as fully paid to the respective accounts of the Vendors proportionately; and
 - (ii) approximately 27.45% of the Consideration Shares, which is equivalent to 4,745,763 new ordinary shares in PUB, as the Pledged Consideration Shares, to be credited as fully paid to the pledged securities account maintained by the Escrow Agent who is authorised to hold the Pledged Consideration Shares on the Vendors' behalf.

4. Profit Guarantee

4.1 The Vendors irrevocably and unconditionally guaranteed to PMSB that the aggregate of the actual PBT of Metahub, cumulative for the Guaranteed Financial Years reported by the Auditor (as defined in **Section 4.3 of Appendix II**) ("**Actual Aggregate PBT**") shall collectively be not less than **Ringgit Malaysia Fourteen Million (RM14,000,000.00)** ("**Aggregate Guaranteed Profit**") on the following basis:-

- (i) Metahub shall achieve actual PBT of not less than Ringgit Malaysia Six Million (RM6,000,000.00) for the FYE 31 December 2024 ("**FYE 2024 Minimum PBT**"); and
- (ii) Metahub shall achieve actual PBT of not less than Ringgit Malaysia Eight Million (RM8,000,000.00) for the FYE 31 December 2025 ("**FYE 2025 Minimum PBT**").

4.2 For the purposes of achieving the Aggregate Guaranteed Profit, the parties shall:-

- (i) not, without prior consent of PMSB, execute, implement or undertake any decision or action, which may have a negative impact on the Actual Aggregate PBT of Metahub, including but not limited to entering into new businesses or projects by Metahub which is not related to the existing business of Metahub and impose any management fees from holding company;
- (ii) provide funding supports where required, in the form of corporate guarantees or any means to meet existing banking facilities with financial institutions to enable Metahub to execute and complete its business to meet the Aggregate Guaranteed Profit; and
- (iii) with prior consent of PMSB which shall not be unreasonably withheld, permit the Vendors and their authorised representative access to Metahub's finances and accounts.

4.3 For the purposes of determining the actual PBT, PMSB shall procure and cause the auditor of PMSB or (at the sole discretion of PMSB) Metahub ("**Auditor**") to complete its annual statutory audit in respect of the accounts of Metahub not later than four (4) months from the last day of each of the Guaranteed Financial Years. The actual PBT for each of the Guaranteed Financial Years shall be as stated in the audited accounts prepared and issued by the Auditor which has been approved by board of directors of Metahub ("**Audited Accounts Approval Date**").

4.4 In the event that following the Audited Accounts Approval Date in respect of the audited accounts of Metahub for all of the Guaranteed Financial Years the Actual Aggregate PBT for the Guaranteed Financial Years is less than the Aggregate Guaranteed Profit, the Vendors shall, upon receipt of a notice in writing issued by PMSB, pay to PMSB in cash the shortfall sum calculated based on the following ("**Shortfall**"):-

$$\text{Shortfall} = (\text{Aggregate Guaranteed Profit} - \text{Actual Aggregate PBT}) \times 51\%$$

4.5 The Vendors shall pay the Shortfall to PMSB not later than thirty (30) days from the Audited Accounts Approval Date for the FYE 31 December 2025, failing which the Vendors shall be jointly liable to pay to PMSB late payment interest at eight per cent (8%) per annum commencing from the date next following the Audited Accounts Approval Date for the FYE 31 December 2025 until the full settlement.

4.6 The Profit Guarantee shall not be considered as revocable or satisfied by any intermediate payment but shall be a continuing guarantee and shall extend to cover any sum or sums of the Shortfall to PMSB until such time when the whole of the Shortfall shall have been fully paid.

4.7 Notwithstanding the Completion and without prejudice to all other rights and remedies available to PMSB, it shall constitute a material breach by the Vendors if the Vendors fail to pay and settle the Shortfall in full to PMSB within thirty (30) days from the Audited Accounts Approval Date for the FYE 31 December 2025, in which event PMSB shall be entitled, without any notice to or any further consent or concurrence by the Vendors, to instruct the Escrow Agent, by issuing a written notice stating the amount of the Shortfall that remains unpaid to PMSB ("**Default Notice**"), to:

- (i) sell the remaining Pledged Consideration Shares or any part thereof in any manner (including sale by private treaty) so instructed by PMSB in the Default Notice; and
- (ii) utilise all or any moneys arising therefrom to recover the amount payable as stated in the said Default Notice to satisfy the Shortfall and all commissions and costs for the sale in any manner and on any terms as the Escrow Agent deems appropriate in accordance with the Default Notice.

5. Completion

Subject to the fulfilment of the Vendors' obligations and PMSB's obligations as respectively set out in the SPA, the Completion of the SPA shall take place on the date upon the expiry of thirty (30) days from the Unconditional Date or such other date as the Vendors and PMSB may mutually agree ("**Completion Date**").

6. Termination

6.1 PMSB's right to terminate

If, before or on the Completion Date:-

- (i) it shall be found that any of the Vendors' warranties as stipulated in the SPA was, when given, or will be or would be, on the Completion Date (as if they had been given again at Completion) not complied with or otherwise untrue or misleading in any material respect;
- (ii) there is a breach of any material terms or conditions of the SPA or a failure to perform or observe any material undertaking, obligation or agreement in the SPA by the Vendors;
- (iii) a petition for winding up / bankruptcy is presented against Metahub and/or the Vendors;
- (iv) an order is made or a member's resolution is passed for the winding up/bankruptcy of Metahub and/or the Vendors;
- (v) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of Metahub or any part of its assets and properties;
- (vi) an event analogous to any of the **Sections 6.1(iii), (iv) or (v)** above has occurred in any jurisdiction; or
- (vii) any event occurs which affects or is likely to affect materially and adversely the financial position or business prospects of Metahub,

then provided where the default is capable of being remedied, is not remedied within fourteen (14) days commencing on the day immediately after the date PMSB gives written notice to the Vendors or any period provided for under the SPA, PMSB shall be entitled at PMSB's absolute discretion to either:-

APPENDIX II – SALIENT TERMS OF THE SPA

- (a) seek specific performance of the SPA in which case PMSB shall be entitled to take such action as may be available to PMSB at law to enforce specific performance of the SPA against the Vendors and all other legal remedies available to PMSB as may be determined by the court;
- (b) proceed to Completion so far as practicable having regard to the defaults which have occurred without prejudice to all other rights and remedies available to it, including the right to claim damages; or
- (c) terminate the SPA and in such event, the Vendors shall jointly indemnify PMSB and keep PMSB indemnified against all fees and costs (including, without limitation, professional, accounting and legal costs) incurred by PMSB in the negotiation, preparation, execution and termination of the SPA and the fulfilment of any of the Conditions Precedent.

6.2 Vendors' right to terminate

If, before or on the Completion Date:-

- (i) it shall be found that PMSB's warranties as stipulated in the SPA were, when given, or will be or would be, on the Completion Date (as if they had been given again at the Completion Date) not complied with or otherwise untrue or misleading in any material respect; or
- (ii) there is a breach of any material terms or conditions of the SPA or a failure to perform or observe any material undertaking, obligation or agreement in the SPA by PMSB,

then provided where the default is capable of being remedied, is not remedied within fourteen (14) days commencing on the day immediately after the date the Vendors give written notice to PMSB, the Vendors shall be entitled at the Vendors' absolute discretion to either:-

- (a) seek specific performance of the SPA in which case the Vendors shall be entitled to take such action as may be available to the Vendors at law to enforce specific performance of the SPA against PMSB and all other legal remedies available to the Vendor as may be determined by the court;
- (b) proceed to Completion so far as practicable having regard to the defaults which have occurred without prejudice to all other rights and remedies available to it, including the right to claim damages; or
- (c) terminate the SPA and in such event PMSB shall indemnify the Vendors and keep the Vendors indemnified against all fees and costs (including, without limitation, professional, accounting and legal costs) incurred by the Vendors in the negotiation, preparation, execution and termination of the SPA and the fulfilment of any of the Conditions Precedent.

6.3 Notwithstanding the rights of termination set out in **Section 6.1** and **Section 6.2** of **Appendix II**, the parties shall, prior to termination of the SPA, use their best endeavours and take such actions as may be necessary and equitable to negotiate on such terms with the principle of good faith with fairness and without detriment to the interests of any of them.

7 Vendors' continuing warranties

7.1 Notwithstanding Completion, the Vendors represent, warrant and undertake that licences approving the following having been granted to Metahub from the DOE, with the terms and conditions satisfactory to PMSB, as soon as practicable within six (6) months from the Completion or such other period as the Parties may otherwise mutually agree in writing and in any such event within the timeline as required by the relevant authority (collectively referred to as the "**DOE Licences**"):

- (i) approval to increase the annual capacity for aluminium from 2,400 MT a year to 36,000 MT a year; and
- (ii) approval to increase the annual capacity for waste water treatment from 2,400 MT a year to 30,000 MT a year.

8 Indemnity

8.1 From and after the Completion Date, the Vendors undertake and agree to pay and to indemnify fully, hold harmless and defend PMSB or Metahub (as PMSB may choose) from and against any and all the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by PMSB in connection with:

- (i) any losses, liabilities and/or contingent liabilities which the causes of action are accrued on or before the Completion Date;
- (ii) any inaccuracy or breach of any of the Vendors' warranties or undertakings in connection with the DOE Licences as set out in the SPA;
- (iii) any act or omission done or omitted to be done in respect of or pertaining to the Pledged Consideration Shares, including any loss, direct or indirect, arising from the sale, disposal, and/or realisation of, and/or dealing with, all or any of the Pledged Consideration Shares;
- (iv) any loss or depreciation in value of any of the Pledged Consideration Shares arising from or through such sale, disposal and/or realization by the Escrow Agent in the event of occurrence of **Section 4.7 of Appendix II** including any difference between the proceeds arising therefrom and the Shortfall sum that remains unpaid to PMSB;
- (v) any proceedings taken by PMSB claiming that any of the Vendors' warranties or undertakings whether contained in the SPA or in any agreement, certificate or other document delivered pursuant to the SPA is inaccurate, untrue or misleading in any material respects or has been breached in any material respects and in which judgment is given for PMSB; and
- (vi) the enforcement of any such settlement or judgment specified in **Section 8.1(v) of Appendix II**.

APPENDIX III – ADDITIONAL INFORMATION ON PUB GROUP

1. Financial performance and financial position of the Group

The financial summary of the Group for the past 3 financial years up to the latest audited FYE 31 December 2023 and the latest unaudited 6-month FPE 30 June 2024 is set out below:-

	<-----Audited FYE 31 December----->			Unaudited
	2021 RM'000	2022 RM'000	2023 RM'000	FPE 30 June 2024 RM'000
Revenue	40,445	60,956	91,668	50,797
Gross profit	781	6,372	8,982	5,947
Other operating income	1,100	1,992	16,455	1,302
PBT/ (LBT)	(15,589)	(5,643)	9,253	(497)
PAT/ (LAT) attributable to owners of the Company	(15,399)	(5,686)	9,149	(564)
EPS/ (LPS) (sen)	(18.37)	(6.78)	10.91	(0.67)
Total borrowings	16,127	19,125	11,138	12,196
Cash and bank balances	1,876	301	1,223	831
Net cash (used in) operating activities	(6,720)	(4,488)	(2,066)	(2,846)
Current assets	29,721	32,966	33,455	32,940
Current liabilities	16,604	21,426	14,379	15,741
NA	39,359	34,783	76,560	75,996
Number of Shares in issue	83,830	83,830	83,830	83,830
NA per Share	0.47	0.41	0.91	0.91
Current ratio (times)	1.79	1.54	2.33	2.09
Gearing ratio (times)	0.41	0.55	0.15	0.16

FYE 31 December 2022 vs FYE 31 December 2021

For the FYE 31 December 2022, the Group's revenue increased by 50.70% to RM60.96 million (FYE 31 December 2021: RM40.45 million). The increase was mainly attributable to an increase in revenue for both the automotive and commercial segments, due to fulfilment of backlog sales after the lifting of the Movement Control Order (MCO).

The Group's LBT decreased by 63.82% to RM5.64 million for the FYE 31 December 2022 (FYE 31 December 2021: RM15.59 million). The decrease in LBT was primarily due to lower impairment loss on inventories of RM0.12 million for the FYE 31 December 2022 (FYE 31 December 2021: RM4.74 million).

FYE 31 December 2023 vs FYE 31 December 2022

For the FYE 31 December 2023, the Group's revenue increased by 50.38% to RM91.67 million (FYE 31 December 2022: RM60.96 million). The increase in revenue was mainly due to the recognition of approximately RM32.50 million in revenue from the Group's Recycling Business, following its diversification into the Recycling Business since January 2023 and the business of trading of recycled products through PMSB, the Group's wholly owned subsidiary.

In conjunction with the Group's increase in revenue, the Group recorded PBT of RM9.25 million for the FYE 31 December 2023 (FYE 31 December 2022: LBT of RM5.64 million). The PBT recorded was primarily attributable to an increase in the Group's other operating income, namely due to insurance claims of RM3.13 million and a gain on disposal of property, plant and equipment of RM11.45 million, following the disposal of a parcel of leasehold industrial land for a cash consideration of RM17.50 million.

6-month FPE 30 June 2024 vs 6-month FPE 30 June 2023

For the 6-month FPE 30 June 2024, the Group's revenue increased by 37.22% to RM50.80 million (6-month FPE 30 June 2023: RM37.02 million). The increase in revenue was primarily due to an increase in revenue for the Group's recycling segment, which rose by 153.95% to RM19.91 million (6-month FPE 30 June 2023: RM7.84 million), attributable to the segment securing a more stable customer base in its second year of operation.

The Group's LBT decreased by 72.38% to RM0.50 million for the 6-month FPE 30 June 2024 (6-month FPE 30 June 2023: RM1.81 million). The decrease in LBT was in conjunction with the increase in revenue from the Group's recycling segment.

2. Value creation and impact of the Proposed Acquisition to the Group and its shareholders

As set out in **Section 4, Part A** of this Circular, the Proposed Acquisition is undertaken in line with the Group's business strategy to expand its business operations in order to improve its financial performance in the future. Through the Proposed Acquisition, the Group may be able to increase the revenue stream of its Recycling Business through Metahub, which may enhance the overall earnings potential of the Group moving forward. Presently, the Group derives the majority of its revenue from its business of manufacturing and trading in car carpets and automotive components, recording a revenue contribution of 84.05%, 83.36% and 51.87% for the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, respectively.

The Group may also expand its current Recycling Business, which the Group had commenced subsequent to the 2021 Takeover, where Koon Hoi Chun (through ACSB) had become the Major Shareholder of the Group. Through Koon Hoi Chun's management of PUB, the Group had completed the diversification into the Recycling Business on 6 January 2023 and through its wholly owned subsidiary PMSB, had ventured into the business of trading of recycled products, which involves the purchase of metal scrap materials, outsourcing it to third parties for sorting and treatment, and the subsequent sale of these semi-finished materials to local smelter plants. Through the Proposed Acquisition, the Group (through Metahub) will have the opportunity to move upstream in the Recycling Business, where Metahub may facilitate the sorting and reprocessing of the metal in-house for PMSB to subsequently trade, rather than outsourcing the sorting and reprocessing process to third parties, which may potentially reduce the Group's operating costs and improve its margins and overall financial performance. Further information on Metahub's business operations have been set out in **Appendix I** of this Circular.

Additionally, the Purchase Consideration is intended to be settled via the issuance of the Consideration Shares, which will enable the Group to acquire Metahub and enhance its asset base without any immediate impact on the cash position of the Group as opposed to a full cash settlement of the Purchase Consideration or incurring bank borrowings to fund the Proposed Acquisition. As set out in **Section 6, Part A** of this Circular, the Proposed Acquisition is expected to enhance the share capital of the Group from RM84.90 million (as at the LPD) to RM135.90 million, and enhance its net asset from RM76.56 million (based on the audited financials on FYE 31 December 2023) to RM127.06 million.

Notwithstanding that the Proposed Acquisition may potentially result in a dilution to the shareholdings of the existing shareholders of PUB, as a result of the issuance of Consideration Shares to the Vendors, the management of PUB deems that such mode of settlement will allow the Group to complete the Proposed Acquisition in an expedient manner and conserve its cash for working capital purposes, without having to incur any indebtedness arising from bank borrowings and financing cost.

3. Material impact of the Proposed Acquisition on the financials and operations of the Group

The Proposed Acquisition represents the acquisition of 51% equity interest in Metahub, which will result in Metahub becoming a 51% owned subsidiary of the Group. Pursuant thereto, the Group will be able to consolidate the potential future financial results of Metahub (as set out in **Appendix IV** of this Circular) upon completion of the Proposed Acquisition. Further information on Metahub's financials have been set out in **Section 9 of Appendix I** of this Circular.

Further, the Purchase Consideration is intended to be satisfied via the issuance of the Consideration Shares, which is expected to enhance the share capital of the Group from RM84.90 million (as at the LPD) to RM135.90 million, and enhance its net asset from RM76.56 million (based on the audited financials on FYE 31 December 2023) to RM127.06 million. Through the Consideration Shares, the Group will be able to acquire Metahub and enhance its asset base without any immediate impact on the cash position of the Group as opposed to a full cash settlement of the Purchase Consideration or incurring bank borrowings to fund the Proposed Acquisition.

In terms of the operations of the Group, the Proposed Acquisition will enable the Group to move upstream in the Recycling Business. As Metahub is principally involved in the business of recovery and reprocessing of precious metals from production waste & electronic scrap, upon completion of the Proposed Acquisition, Metahub may facilitate the sorting and reprocessing of the metal in-house for PMSB to subsequently trade, rather than outsourcing the sorting and reprocessing process to third parties. This may potentially reduce the Group's operating costs and improve its margins and overall financial performance.

Moving forward and upon completion of the Proposed Acquisition, the management of PUB will continue to monitor the impact of the Proposed Acquisition on the financial position and business operations of the Group to ensure that the business of Metahub is amalgamated in to the existing Recycling Business of the Group, while improving the Group's financial position and enhancing the business operations of its Recycling Business.

4. Adequacy of the Proposed Acquisition in addressing the Group's financial concerns

The Proposed Acquisition forms part of the Group's initiative to expand the revenue stream and operational scale of its Recycling Business. The Group's revenue stream has been largely supported by the Group's business of manufacturing and trading in car carpets and automotive components, recording a revenue contribution of 84.05%, 83.36% and 51.87% for the FYE 31 December 2021, FYE 31 December 2022 and FYE 31 December 2023, respectively. Notably, since the Group diversified into the Recycling Business on 6 January 2023, the Group had commenced its business of trading of recycled products through PMSB, which had provided revenue of RM32.50 million for the FYE 31 December 2023 and reduced the revenue contribution percentage of the Group's business of manufacturing and trading in car carpets and automotive components.

In considering the Proposed Acquisition, the Board (save for the Interested Director) also takes cognisance of the Valuation Certificate by AER based on the Future Financials provided by the management of Metahub. Upon completion of the Proposed Acquisition, Metahub will become a 51% subsidiary of the Group and therefore the Group may consolidate Metahub's financials, which may contribute positively to the financial performance of the Group in the future. For information purposes, as stated in **Section 5.1, Part A** of this Circular, the Future Financials and AER's valuation are based on profit forecasts and output projections derived from various bases and assumptions that are forward-looking and are subject to certain uncertainties that may be outside of the management of Metahub's control.

APPENDIX III – ADDITIONAL INFORMATION ON PUB GROUP

Further, in addition to enabling the Group to move upstream in the Recycling Business as explained in **Section 2** of this Appendix, the enlarged Group may also reduce the operating costs and improve the margins of its Recycling Business once Metahub has been amalgamated into the Group's present Recycling Business. As Metahub is principally involved in the business of recovery and reprocessing of precious metals from production waste & electronic scrap, upon completion of the Proposed Acquisition, Metahub may facilitate the sorting and reprocessing of the metal in-house for PMSB to subsequently trade, rather than outsourcing the sorting and reprocessing process to third parties.

Barring any unforeseen circumstances and premised on the above, the Board is of the view that the above steps may reposition the Group in a better overall financial position moving forward and allow the Group to further enhance the revenue contribution and business operations of its Recycling Business. Further, through the Profit Guarantee, the Group may benefit from Metahub's targeted PBT of a minimum of RM6.00 million and RM8.00 million for the FYE 31 December 2024 and FYE 31 December 2025, respectively, which may enable the Group to enhance its asset base and earnings base following the consolidation of Metahub's results moving forward. Additionally, as mentioned in **Section 2** of this Appendix, the settlement of the Purchase Consideration via the Consideration Shares will enable the Group to acquire Metahub and enhance its asset base without any immediate impact on the cash position of the Group as opposed to a full cash settlement of the Purchase Consideration or incurring bank borrowings.

The Board is currently not considering any other corporate exercises to address the Group's financial concerns and/ or financial performance. Nevertheless, the Board will continue to monitor funding requirements (including a consideration of the Group's capital structure and cost of funds) and financial performance, and may consider undertaking future corporate exercises should the need/ opportunity arise.

5. Fund-raising exercises undertaken by the Group over the past 5 years

Private Placement

The Company had on 23 August 2021, announced that it proposed to undertake a private placement of up to 13,829,652 new PUB Shares, representing 20% of the total number of PUB Shares (excluding treasury shares), pursuant to Sections 75 and 76 of the Act ("**Private Placement**"). A total of 13,829,652 new PUB Shares were placed out, raising total gross proceeds of RM17.08 million as set out below:-

Listing Date	Issue price RM	Shares	Actual proceeds raised RM
20 September 2021	1.2453	7,280,000	9,065,784.00
15 December 2021	1.2236	6,549,652	8,014,154.19
Total		13,829,652	17,079,938.19

APPENDIX III – ADDITIONAL INFORMATION ON PUB GROUP

The Private Placement had been completed on 15 December 2021 and the status of the utilisation of said gross proceeds as at the LPD is set out below:-

Details of utilisation	Timeframe for utilisation	Proposed utilisation RM	Actual proceeds raised RM	Actual utilisation RM	Balance to be utilised RM
Repayment of bank overdraft ^{*1}	Within 12 months	7,600,000	7,600,000	7,600,000	-
General working capital ^{*2}	Within 12 months	8,890,000	9,346,938	9,346,938	-
Estimated expenses	Within 1 month	133,000	133,000	133,000	-
Total		16,623,000	17,079,938	17,079,938	-

Notes:-

^{*1} RM7.60 million was utilised for the repayment of the bank overdraft, as proposed, and resulted in interest savings of approximately RM529,750 per annum based on the average interest rate of approximately 6.97%.

^{*2} The proceeds raised for the general working capital of the Group were utilised as follows:-

	Proposed utilisation %	Actual utilisation RM
Payment of trade and other payables	70	6,542,856
Staff salaries	20	1,869,388
Utilities, transportation costs, day-to-day operating expenses and other miscellaneous items	10	934,694
	100	9,346,938