SUNRISE TECHNOLOGY INVESTMENT HOLDING PTE. LTD. (the "**Offeror**")

# Offeror's responses to Frequently Asked Questions in respect of the Scheme of Arrangement of Sunningdale Tech Ltd.

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**1. Why is the Offeror proposing the Scheme?**

The intent of the Offeror is twofold:

**(1) To secure Sunningdale's long-term future:**

- The Offeror believes a new cycle of investments, involving expansion in 'high-cost' regions including US and Europe, will be needed to meet the challenges of an evolving supply chain brought about by escalating trade tensions and exacerbated by the COVID-19 pandemic. This is in addition to the historical investments made to sustain business performance assuming a 'status quo' scenario.
- While there is no right or wrong answer, the degree, scope, and speed of change possible within the public sphere will be different to that of the private sphere. The Offeror consortium has experience in investing in companies at crucial junctures of making transformational change and are therefore comfortable with the types of risks this entails – the types of risks that may involve foregoing dividends for extended periods of time or raising debt from banks in order to make acquisitions to position Sunningdale for long-run success.

**(2) To offer Scheme Shareholders a choice:**

- To achieve a full exit of a relatively illiquid stock at a premium to the historical traded prices in the open market[1]; or
- Stay invested (with up to a 30% stake collectively) in the private entity that will indirectly own Sunningdale if they, like the Offeror, believe in the Company's long-term potential.

The recommendation of the Non-conflicted Directors is unanimous – that Scheme Shareholders should vote in favour of the Scheme, and the Independent Financial Adviser ("**IFA**") has advised that the financial terms of the Scheme are fair and reasonable.

Further details on the Offeror's rationale is set out in the Scheme Document dated 4 February 2021, a copy of which is available on www.sgxnet.com. Shareholders are reminded to consider the Scheme

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[1] Please refer to paragraph 3.3(b) of the Offeror's Letter in Appendix 2 of the Scheme Document for further details on the historical trading liquidity of the Sunningdale Shares.

Document in its entirety. Capitalised terms not defined herein shall have the same meaning as that set out in the Scheme Document.

**2. What is the IFA's view on the Scheme?**[2]

- The IFA has advised the Non-conflicted Directors that the financial terms of the Scheme are fair and reasonable, and advised the Non-conflicted Directors to recommend Scheme Shareholders to vote in favour of the Scheme.
- In arriving at its recommendation on the Scheme, the IFA has noted that it has taken into consideration various factors which it considers to be pertinent and which may have a significant bearing on its assessment. This included (among others): historical share price performance and trading activity, and earnings-based valuations including assessing EV/EBITDA multiples compared to other listed companies in the same sector and precedent M&A transactions in the same sector.
- The EV/EBITDA multiple of Sunningdale implied by the Scheme Consideration is **within the range** of the EV/EBITDA multiples for both precedent M&A transactions and trading multiples for listed comparable companies. Further, it is comparable to the mean/median EV/EBITDA multiples for precedent M&A transactions and close to the mean and higher than the median of the EV/EBITDA multiples of comparable listed companies.
- Taking into account the EV/EBITDA statistics of precedent M&A transactions, the EV/EBITDA statistics for listed comparable companies and the net cash position of the Company as at 30 September 2020, the IFA estimated the valuation range for Sunningdale Shares to be between S$1.55 and S$1.68, and noted that the Scheme Consideration is fair and reasonable as it is within the estimated range.

[2] Please note that the IFA's opinion on the Scheme is found in Appendix 1 of the Scheme Document and Scheme Shareholders should consider the opinion in its entirety.

### Table 1. Trading Comparables – extracted from the IFA report

| Comparable companies | Last financial year-end | Market capitalisation as at 18 January 2021 (S$' million) | PER[1] (times) | EV/EBITDA[2][3] (times) | P/NTA[4] (times) |
|---|---|---|---|---|---|
| UMS | 31 Dec 2019 | 661.5 | 15.11 | 11.61 | 3.74 |
| JEP | 31 Dec 2019 | 82.0 | 14.15 | 7.47 | 1.74 |
| Spindex | 30 Jun 2020 | 114.2 | 9.37 | 2.67 | 0.89 |
| InnoTek | 31 Dec 2019 | 152.3 | 12.03 | 4.87 | 0.93 |
| Valuetronics | 31 Mar 2020 | 298.0 | 9.94 | 2.71 | 1.37 |
| **High** | | | 15.11 | 11.61 | 3.74 |
| **Low** | | | 9.37 | 2.67 | 0.89 |
| **Mean** | | | 12.12 | 5.87 | 1.74 |
| **Median** | | | 12.03 | 4.87 | 1.37 |
| **Sunningdale Group (implied by the final Scheme Consideration)** | **31 Dec 2019** | **320.0**[5] | **26.54** | **5.77** | **0.86 (based on P/NTA)<br>0.79 (based on P/RNTA)** |

***Source**:* *Bloomberg L.P., annual reports and latest publicly available financial information of the Comparable Companies.*

**Notes:**

(1) The PERs of the Comparable Companies were computed based on their T12M basic consolidated earnings per share as set out in their latest available published interim results, voluntary business updates or latest full year results, whichever is applicable, as at 18 January 2021. Similar to our analysis of the Sunningdale Group, COVID-19 related grants, if any, that were received by these Comparable Companies and publicly disclosed by these Comparable Companies were also excluded for the purpose of computing their earnings and their respective PERs. The PER of the Sunningdale Group implied by the Scheme Consideration is computed as shown in Section 8.2.1 of IFA report.

(2) The EV of the respective Comparable Companies were based on (i) their market capitalisation as at 18 January 2021 as extracted from Bloomberg L.P.; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial results as at 18 January 2021.

(3) Based on T12M EBITDA of the Comparable Companies as set out in their latest available published interim results, voluntary business updates or latest full year results, whichever is applicable, as at 18 January 2021. Similarly, COVID-19 related grants, if publicly disclosed by these Comparable Companies, were excluded in determining the respective EBITDA of these Comparable Companies. The EV/EBITDA of the Sunningdale Group implied by the Scheme Consideration is computed as shown in Section 8.2.1 of IFA report.

(4) Based on the NTA of the respective Comparable Companies as set out in their latest available published interim results, voluntary business updates or latest full year results, whichever is applicable, as at 18 January 2021; and

(5) Based on the Implied Market Capitalisation of Sunningdale.

### Table 2. Transaction Comparables – extracted from the IFA report

| Target | Announcement Date | Historical PER (times) | EV/EBITDA (times) | Historical P/NAV (times) |
|---|---|---|---|---|
| Anchorage Singapore Holdings Pte. Ltd. ("**Anchorage**")(1) | 3 Sep 2014 | 19.4 | 4.7 | 1.17 |
| Chosen Holdings Limited ("**Chosen Holdings**")(2)(3) | 2 Sep 2015 | 17.4 | 5.3 | 0.85 |
| Fischer Tech Ltd. ("**Fischer Tech**")(2)(4) | 5 Apr 2017 | 12.9 | Not available | 1.54 |
| Memtech International Ltd ("**Memtech**")(2)(5) | 14 May 2019 | 20.9 | 6.8 | 1.09 |
| **High** | | 20.9 | 6.8 | 1.54 |
| **Low** | | 12.9 | 4.7 | 0.85 |
| **Mean** | | 17.7 | 5.6 | 1.16 |
| **Median** | | 18.4 | 5.3 | 1.13 |
| **Sunningdale Group (implied by the Scheme Consideration)** | **9 Nov 2020** | **26.54** | **5.77** | **0.86 (based on P/NTA)**<br>**0.79 (based on P/RNTA)** |

***Source**: Bloomberg L.P. and publicly available information on the respective Precedent M&A Transactions.*

**Notes:**

(1) The PER, EV/EBITDA and P/NAV statistics in relation to the acquisition of Anchorage are extracted from Sunningdale's announcement dated 3 September 2014.

(2) The PER, EV/EBITDA and P/NAV statistics, where applicable, are extracted from the respective IFA letters issued in connection with the acquisition of Chosen Holdings, Fischer Tech and Memtech.

(3) The P/NAV ratio for Chosen Holdings is based on the revalued NAV per share of Chosen Holdings as at 30 June 2015.

(4) The P/NTA ratio for Fischer Tech is based on the adjusted revalued NTA per share of Fischer Tech as at 31 March 2017.

(5) The P/NAV ratio for Memtech is based on the NAV per share of Memtech as at 31 March 2019.

**3. Why is the Scheme Consideration below the latest net asset value of the Company?**

- In arriving at the Scheme Consideration, the Offeror took a holistic view and considered a broad range of valuation metrics including those that take into consideration return on equity and return on assets. The Offeror considers the Price to Earnings Ratio ("**PER**") and EV/EBITDA multiple to be more appropriate metrics for valuing Sunningdale. In that regard, the Offeror notes that in comparison with both precedent M&A transactions and with trading multiples for comparable listed companies identified by the IFA in its report, the PER of Sunningdale implied by the Scheme Consideration is **higher than the upper end of the ranges** for both, and therefore above the mean and median PER for both precedent M&A transactions and trading multiples for listed comparable companies.
- The Offeror notes that the IFA has also selected the earnings approach based on EV/EBITDA multiples as its primary valuation methodology.
- The IFA elaborated that it considers the earnings approach as a more appropriate valuation approach compared to the asset-backed valuation approach, because Sunningdale's manufacturing facilities are integral to its ability to service the needs of its customers. Unless Sunningdale intends to cease operations and realise or convert the use of all or most of these assets, the assessment of valuation of Sunningdale Shares based solely or primarily on an asset-backed approach **may not be an appropriate valuation approach**.
- As highlighted in the IFA report, the EV/EBITDA multiple of Sunningdale implied by the Scheme Consideration is **within the range** of the EV/EBITDA multiples of both precedent M&A transactions and trading multiples for listed comparable companies; and it is comparable to the mean/median EV/EBITDA multiples for precedent M&A transactions and close to the mean and higher than the median of the EV/EBITDA multiples of comparable listed companies.
- It is also of note that Sunningdale Shares have consistently traded well below the NTA, which was also highlighted by the IFA.
- Shareholders are reminded to consider the entirety of the IFA opinion which is in Appendix 1 of the Scheme Document.

**4. Can there be any further increase in the Scheme Consideration?**

- No. The revised Scheme Consideration of S$1.65 per Scheme Share is final. This is both a commercial and a legal reality as the Scheme Consideration, once declared final, cannot be changed.

**5. Are there any other offers for Sunningdale?**

- No. This is the only offer on the table since 9 November 2020 when the Scheme was announced.

**6. What is the rationale for allocating up to 30% of the parent company of the Offeror (Holdco), being a private entity, for those electing to stay invested in Sunningdale by way of the Scrip Consideration?**

- Providing a scrip option in a privatisation offer is uncommon. We are aware of two other transactions in the last 5 years that provided shareholders with a similar option (i.e. Health Management International (2019) and Innovalues (2017)).
- The Offeror did this to give Scheme Shareholders a choice – those who believe in the long-term future of Sunningdale can remain invested, with up to a 30% collective stake. The quantum of the rollover stake was determined after giving due consideration to a range of factors, including structuring of both equity and debt financing for the transaction and the requirement for the current shareholders of the Offeror to achieve control of the private entity to effect the sorts of changes they view as necessary.
- Moreover, the Offeror took into account experience from precedent transactions which provided similar rollover options to scheme shareholders and is of the view that this is an adequate allocation as:
    - Traditional listed equity fund managers are typically unable to hold shares in a private, unlisted company and many shareholders prefer to realise their value in cash.
    - Precedent transactions have experienced low take-up rates for scrip options. For example, in the case of the Innovalues privatisation in 2017, the final take-up rate by non-

undertaking shareholders[3] equated to only approximately 1% of the offeror parent company.

- Certain substantial shareholders who have already given irrevocable undertakings to vote in favour of the Scheme, such as Yarwood Engineering & Trading Limited and Mr Goi Seng Hui, have committed to taking up the Scrip Consideration. These undertaking shareholders are in the same position as all other Scheme Shareholders; they will be subject to the same adjustment mechanism should the Offeror receive election for the Scrip Consideration in such amount which exceeds the maximum number of Holdco shares as specified in the Scheme Document.

**7. Sunningdale has deployed significant capital over the past years to bolster its manufacturing footprint which has depressed returns – why are you choosing to privatise now before these benefits have been realised by your shareholders who have stood by you through the low times?**

- Sunningdale has indeed invested in the past to maintain its competitive market position base on the prevailing business environment or the 'status quo' scenario. However, the Offeror anticipates that a new cycle of investment in 'high-cost' regions is required in order to meet the evolving challenges of the industry. In particular, persistent trade tensions are impacting on the way in which businesses are organising their supply chains and this trend is being further exacerbated by the pandemic. We believe that Sunningdale needs to pivot quickly to secure its future. For instance, Sunningdale has already made its first such acquisition in what some would term a high-cost country by buying Moldworx in the United States in November last year.
- While some companies in the sector may benefit in the short term from stockpiling activities as customers who rely on imports try to get ahead of anticipated new trade restrictions, the medium- and longer-term outlook remains highly uncertain.

[3] Refers to scheme shareholders, other than scheme shareholders who have given an irrevocable undertaking in that transaction to elect for the scrip option.

**8. What happens if Shareholders vote down the Scheme?**

- Should the proposed Scheme be rejected, Sunningdale will continue as a listed company on the Singapore Exchange.

**9. Will the Offeror make an improved offer if the Scheme fails?**

- Under the Singapore Code on Takeovers and Mergers, the Offeror is unable to make another offer for the Company within 12 months from the vote on the Scheme.

**10. What is the role of Mr Loke Wai San in this transaction?**

- To provide some background, in 2018, Mr Koh Boon Hwee asked Mr Loke Wai San to join the Board of Directors as an Independent Director as he was impressed with Mr Loke's turnaround and revamp of AEM Holdings.
- When Mr Koh decided to make an offer for Sunningdale, the financial resources required exceeded his personal ability. He therefore approached Mr Loke to ask if Novo Tellus (a private equity vehicle managed by Mr Loke) would consider contributing some of the capital required.
- Mr Loke has been re-designated as a non-Independent Director. Neither Mr Koh nor Mr Loke have been involved in the deliberations of the Non-conflicted Directors on the Scheme or the recommendations of the Non-Conflicted Directors though Mr Koh and Mr Loke continue to take responsibility, as directors of Sunningdale, for the information relating to Sunningdale which is contained in the Scheme Document.

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in these FAQs are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as "aim", "anticipate", "believe", "estimate", "expect", "forecast", "intend", "plan", "project", "seek", "strategy" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect HoldCo's and the Offeror's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently-available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those expressed or implied in such forward-looking statements. Given the risks and uncertainties that may cause actual results or outcomes to differ materially from those expressed or implied in such forward-looking statements, shareholders and investors of HoldCo, the Offeror and the Company should not place undue reliance on such forward-looking statements, and none of HoldCo or the Offeror guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements.

## RESPONSIBILITY STATEMENT

The directors of the Offeror and HoldCo (including any who may have delegated detailed supervision of the preparation of these FAQs) have taken all reasonable care to ensure that the facts stated and all opinions expressed in these FAQs (excluding any information relating to or opinions expressed by the Company and/or the IFA) are fair and accurate and that, where appropriate, no material facts in relation thereto have been omitted from these FAQs, and the directors of the Offeror and HoldCo jointly and severally accept responsibility accordingly.

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