

## PENTAMASTER CORPORATION BERHAD (“PENTAMASTER” OR “COMPANY”)

### PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PENTAMASTER, TO THIRD PARTY INVESTOR(S) TO BE IDENTIFIED AND AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”)

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#### 1. INTRODUCTION

On behalf of the Board of Directors of Pentamaster (“**Board**”), Affin Hwang Investment Bank Berhad (“**Affin Hwang IB**”) wishes to announce that the Company proposes to undertake a private placement of up to 10% of the issued and paid-up share capital of Pentamaster, to third party investor(s) to be identified and at an issue price to be determined later.

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Section 132D of the Companies Act, 1965 (“**Act**”) obtained from the shareholders of Pentamaster at its annual general meeting (“**AGM**”) convened on 18 June 2015 (“**Existing Mandate**”).

Further details of the Proposed Private Placement are set out in the ensuing sections.

#### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

##### 2.1 Placement size

The Proposed Private Placement entails the issuance of up to 13,324,305 new ordinary shares of RM0.50 each in Pentamaster (“**Pentamaster Share(s)**” or “**Share(s)**”), representing up to 10% of the issued and paid-up share capital of Pentamaster (“**Placement Share(s)**”), to third party investor(s) to be identified and at an issue price to be determined later.

As at 3 September 2015 (being the latest practicable date prior to the date of this announcement (“**LPD**”)), the issued and paid-up share capital of Pentamaster is RM66,621,525 comprising 133,243,050 Pentamaster Shares.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement shall be determined at a later date.

##### 2.2 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares shall be determined and announced by the Board at a later date after the receipt of all requisite approvals for the Proposed Private Placement, at a price that is deemed appropriate after taking into consideration the prevailing market conditions and the five (5)-day volume weighted average market price (“**VWAP**”) of Pentamaster Shares immediately preceding the price-fixing date.

In accordance with Paragraph 6.04(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the Placement Shares shall not be priced at more than 10% discount to the five (5)-day VWAP of Pentamaster Shares immediately preceding the price-fixing date. In any event, the issue price of the Placement Shares shall not be lower than the par value of Pentamaster Shares of RM0.50 each.

For illustrative purposes only, the Placement Shares are assumed to be issued at RM0.615 each, representing a discount of approximately 9.29% to the five (5)-day VWAP of Pentamaster Shares up to and including LPD of RM0.678.

### 2.3 Placement arrangement

The Placement Shares will be placed out to third party investor(s) to be identified at a later date, where such investor(s) shall be person(s) qualified under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

In accordance with Paragraph 6.04(c) and 6.06(1) of the Listing Requirements of Bursa Securities, the Placement Shares will not be placed out to the following parties:

- (i) a director, major shareholder or chief executive of the listed issuer or a holding company of the listed issuer;
- (ii) a person connected with a director, major shareholder or chief executive of the listed issuer or a holding company of the listed issuer; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In the event that the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within six (6) months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities. As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation.

### 2.4 Ranking of the Placement Shares

The Placement Shares will, upon issuance and allotment, rank *pari passu* in all respects with the existing Pentamaster Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid by the Company for which the entitlement date precedes the date of issuance and allotment of the Placement Shares.

### 2.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

### 2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.615 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM8.194 million. The proceeds are proposed to be utilised by Pentamaster and its subsidiaries ("**Pentamaster Group**" or "**Group**") in the manner as set out below:

Description	Timeframe for the utilisation of proceeds from completion of the Proposed Private Placement	RM'000
General working capital <sup>(1)</sup>	Within one (1) year	8,094
Estimated expenses in relation to the Proposed Private Placement <sup>(2)</sup>	Upon completion	100
		8,194

**Notes:**

- (1) *The proceeds for working capital will be utilised to finance the day-to-day operations of the existing business of the Group, such as repayment to creditors, staff salaries and general administrative expenses as well as other general operating expenses as and when the need arises.*

*The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.*

- (2) *The estimated expenses for the Proposed Private Placement is approximately RM100,000. Any variation to the estimated expenses will be adjusted to/from the working capital requirements.*

The actual gross proceeds to be raised from the Proposed Private Placement are dependent on the issue price and actual number of Placement Shares to be issued.

Any variation between the actual and intended gross proceeds to be raised from the Proposed Private Placement will be adjusted to/from the amount allocated for working capital of the Group.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed in deposits with financial institutions or short-term money market instruments.

### **3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT**

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement:

- (i) enables the Group to raise additional funds without having to incur interest expense or service principal repayment as compared to conventional bank borrowings. This would allow the Company to preserve cash flow for reinvestment and/or operational purposes for further growth;
- (ii) is an expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and
- (iii) enables the Company to strengthen its equity base which in turn may potentially increase the liquidity and marketability of Pentamaster Shares.

### **4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT**

#### **4.1 Issued and paid-up share capital**

For illustrative purposes, the proforma effects of the Proposed Private Placement on the issued and paid-up share capital of the Company are as follows:

	<b>No. of shares (‘000)</b>	<b>RM (‘000)</b>
Issued and paid-up share capital as at LPD	133,243	66,622
Shares to be issued pursuant to the Proposed Private Placement (up to)	13,324	6,662
<b>Enlarged issued and paid-up share capital</b>	<b>146,567</b>	<b>73,284</b>

## 4.2 Net Assets (“NA”) per Share and gearing

For illustrative purposes only, based on the latest audited consolidated financial statements as at 31 December 2014, the proforma effects of the Proposed Private Placement on the audited consolidated NA per share and gearing of Pentamaster Group are set out as follows:

	Audited as at 31 December 2014 RM'000	After the Proposed Private Placement RM'000
Share capital	66,622	<sup>(1)</sup> 73,284
Share premium	4,865	<sup>(1)</sup> 6,397
Exchange translation reserve	59	59
Accumulated losses	(10,088)	<sup>(2)</sup> (10,188)
Shareholders' funds	<u>61,458</u>	<u>69,552</u>
No. of shares in issue ('000)	133,243	146,567
<b>NA per share (RM)</b>	0.46	0.47
Total borrowings (RM'000)	188	188
<b>Gearing ratio (times)</b>	0.003	0.003

### Notes:

- (1) Assuming that the indicative issue price of the Placement Shares is RM0.615 per share and that 13,324,305 Pentamaster Shares are placed out.
- (2) After deducting the estimated expenses in relation to the Proposed Private Placement of RM100,000.

## 4.3 Earnings and earnings per Share (“EPS”)

The Proposed Private Placement is not expected to have any material effect on the earnings and EPS of the Pentamaster Group for the financial year ending 31 December 2015. However, there may be a dilution in the EPS of Pentamaster Group in the financial year ending 31 December 2016 due to the increase in the number of Pentamaster Shares in issue arising from the Proposed Private Placement.

## 4.4 Shareholdings of substantial shareholders

The effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of Pentamaster based on the Company's Register of Substantial Shareholders as at the LPD are set out below:

Name	As at the LPD				After the Proposed Private Placement			
	<----Direct---->		<----Indirect---->		<----Direct---->		<----Indirect---->	
	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
Chuah Choon Bin	30,642	23.00	<sup>(a)</sup> 29	0.02	30,642	20.91	29	0.02
Placee(s)	-	-	-	-	13,324	9.09	-	-

### Notes:

- (a) Interest held by spouse treated as interest of directors in accordance with section 134(12)(c) of the Companies Act, 1965.

## 4.5 Convertible securities

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

## **5. APPROVALS REQUIRED**

The Proposed Private Placement is subject to the approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- (ii) any other relevant authorities/parties, if required.

At the Company's last AGM convened on 18 June 2015, the shareholders of Pentamaster had passed a resolution whereby pursuant to Section 132D of the Act, the Board is authorised to issue new Pentamaster Shares not exceeding 10% of the issued and paid-up share capital of the Company and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.

## **6. INTER-CONDITIONALITY**

The Proposed Private Placement is not conditional or inter-conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the directors, major shareholders of the Company and/or persons connected to them has any interest, directly or indirectly, in the Proposed Private Placement.

## **8. ADVISER**

Affin Hwang IB has been appointed to act as the Principal Adviser and Placement Agent for the Proposed Private Placement.

## **9. DIRECTORS' STATEMENT**

The Board, after taking into consideration all aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is fair and reasonable, and in the best interest of the Company.

## **10. APPLICATION TO THE REGULATORY AUTHORITIES**

The relevant applications to the regulatory authorities in relation to the Proposed Private Placement will be made within two (2) months from the date of this announcement.

## **11. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, and subject to the receipts of all the required approvals from the relevant parties and authorities, the Proposed Private Placement is expected to be completed by the first quarter of 2016.

This announcement is dated **9 September 2015**.