

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

### PROPOSED LISTING OF THE COMPANY’S AUTOMATED SOLUTION BUSINESS ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“HKEX”) (“PROPOSED LISTING”)

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*These currencies, RM= Ringgit Malaysia and HKD= Hong Kong Dollar, are used throughout this announcement.*

#### 1. INTRODUCTION

We refer to the Company’s announcements dated 13 June 2017 and 19 June 2017. Pursuant to the Proposed Listing, the Board of Directors of PCB (“**Board**”) wishes to announce that the Company had on 17 July 2017 entered into the following sale and purchase agreements to:

- (i) undertake an internal reorganisation exercise within the Company and its subsidiaries (“**PCB Group**”) via the transfer of its entire equity interest in three (3) wholly-owned subsidiaries of the Company under the Automated Solution Business (as defined below) to Pentamaster International Limited (“**PIL**”), a wholly-owned subsidiary of PCB (“**SPA I**”) (“**Internal Reorganisation**”); and
- (ii) dispose 74 ordinary shares of HKD0.01 each in PIL (“**PIL Share(s)**”), representing 7.40% of equity interest in PIL, after the Internal Reorganisation, to GEMS Opportunities Limited Partnership (“**GEMS**”), for a total cash consideration of RM25,500,000 (“**Disposal Consideration**”) (“**SPA II**”) (“**Proposed Disposal**”);

(collectively referred to as “**Proposals**”).

Further details of the Proposals are set out in the ensuing sections.

#### 2. DETAILS OF THE PROPOSALS

##### 2.1 Internal Reorganisation

The Internal Reorganisation entails the transfer of PCB’s entire equity interests in its wholly-owned subsidiaries in the automated solution business, namely Pentamaster Technology (M) Sdn Bhd (“**PT**”), Pentamaster Equipment Manufacturing Sdn Bhd (“**PQ**”) and Pentamaster Instrumentation Sdn Bhd (“**PU**”) to PIL, for a total consideration of RM86,776,487 (“**Reorganisation Consideration**”), which will be satisfied via the issuance of an aggregate of 999 PIL Shares to PCB. PT, PQ and PU are principally involved in the automated equipment and automated manufacturing solution business segment (“**Automated Solution Business**”).

PIL will, subject to obtaining the relevant regulatory approval, act as the listing entity of the Proposed Listing directly holding all entities involved in the Automated Solution Business.

The Reorganisation Consideration was determined with reference to the audited combined net assets (“NA”) of PT, PQ and PU as at 31 December 2016:

| Subsidiary   | Transferor | Transferee | No. of ordinary shares transferred | Equity interest (%) | Audited NA as at 31 December 2016 (RM) | Reorganisation Consideration (RM) |
|--------------|------------|------------|------------------------------------|---------------------|--|-----------------------------------|
| PT           | PCB        | PIL        | 2,400,000                          | 100.00              | 65,837,630                             | 65,837,630                        |
| PQ           | PCB        | PIL        | 13,160,000                         | 100.00              | 10,994,363                             | 10,994,363                        |
| PU           | PCB        | PIL        | 300,000                            | 100.00              | 9,944,494                              | 9,944,494                         |
| <b>Total</b> |            |            |                                    |                     |  | <b>86,776,487</b>                 |

The PIL Shares to be issued to the Company as Reorganisation Consideration pursuant to the Internal Reorganisation will all be credited as fully paid-up.

The Internal Reorganisation will be completed upon the allotment and issuance of 999 PIL Shares to PCB.

Please refer to **Appendix I** and **Appendix II** of this announcement for further details on the effects of the Internal Reorganisation on the PCB Group’s corporate structure and the salient terms of SPA I, respectively.

## 2.2 Proposed Disposal

The Proposed Disposal will entail the disposal of 74 PIL Shares, representing 7.40% of the equity interest in PIL, after the Internal Reorganisation to GEMS, for a total cash consideration of RM25,500,000.

Upon completion of the Proposed Disposal, the total issued and paid-up share capital of PIL and the respective shareholdings of the shareholders will be as follows:

| Name         | No. of PIL Shares | %             |
|--------------|-------------------|---------------|
| PCB          | 926               | 92.60         |
| GEMS         | 74                | 7.40          |
| <b>Total</b> | <b>1,000</b>      | <b>100.00</b> |

Please refer to **Appendix I** and **Appendix III** of this announcement for further details on the effects of the Proposed Disposal on the PCB Group’s corporate structure and the salient terms of SPA II, respectively.

(i) **Basis and justification of arriving at the Disposal Consideration**

The Disposal Consideration was arrived at after taking into consideration the following:

(a) The Disposal Consideration of RM25,500,000 represents:

(aa) Price to earnings multiple (“**PE Multiple**”) of approximately 10.40 times to the audited combined profit after taxation (“**PAT**”) of PT, PQ and PU of RM33,141,137 for the financial year ended 31 December 2016.

The PE Multiple against the proportion of interest to be held by GEMS i.e. 7.40% to the audited combined PAT of PT, PQ and PU of RM2,452,444 is approximately 10.40 times.

The high and low of PCB’s traded PE Multiple for the past twelve (12) months up to 30 June 2017, being the latest practicable date prior to the date of this announcement (“**LPD**”) are set out in the table below:

| <b>Date</b>             | <b>High PE Multiple (times)</b> | <b>Low PE Multiple (times)</b> |
|-------------------------|---------------------------------|--------------------------------|
| 12-months up to the LPD | 17.96                           | 6.45                           |

*(Source: Bloomberg)*

The PE Multiple of approximately 10.40 times falls within the range of the high (17.96 times) and low (6.45 times) of PCB’s traded PE Multiple for the past twelve (12) months up to the LPD.

(bb) Price to book multiple (“**PB Multiple**”) of approximately 3.97 times to the audited combined NA of PT, PQ and PU of RM86,776,487 as at 31 December 2016.

The PB Multiple against the proportion of interest to be held by GEMS i.e. 7.40% to the audited combined NA of PT, PQ and PU of RM6,421,460 is approximately 3.97 times.

The closing PB Multiple of PCB for the past twelve (12) months up to the LPD are set out in the table below:

| <b>Date</b>             | <b>Closing PB Multiple (times)</b> | <b>Premium/ (Discount) to the closing PB Multiple (%)</b> |
|-------------------------|------------------------------------|---|
| 1-month up to the LPD   | 4.76                               | (16.60)   |
| 3-months up to the LPD  | 3.69                               | 7.59  |
| 6-months up to the LPD  | 1.92                               | 106.77  |
| 12-months up to the LPD | 1.47                               | 170.07  |

(Source: Bloomberg)

The PB Multiple of approximately 3.97 times falls within the range of the high (4.76 times) and low (1.47 times) of PCB's closing PB Multiple for the past twelve (12) months up to the LPD.

**(ii) Expected gain arising from the Proposed Disposal**

The Proposed Disposal is expected to result in a gain on disposal at PCB's company level of RM19,078,540.

There will be no gain or loss on disposal to be registered at PCB's consolidated profit or loss as the Proposed Disposal will not result in a loss of control of PIL from the perspective of the PCB Group. The difference between the Disposal Consideration and the proportionate share of GEMS' equity interest of PIL will be recognised directly in the consolidated retained profits of the PCB Group.

**(iii) Utilisation of proceeds**

The proceeds from the Proposed Disposal are proposed to be utilised in the following manner:

| <b>Details of utilisation</b>   | <b>Amount (RM'000)</b> | <b>Estimated timeframe for utilisation*</b> |
|---|------------------------|---|
| Expenses in relation to the Proposed Listing <sup>(1)</sup>           | 15,000                 | Within 12 months                            |
| Repayment of bank borrowings <sup>(2)</sup>                           | 7,500                  | Within 12 months                            |
| Staff and other general administrative and operating related expenses | 2,500                  | Within 12 months                            |
| Sales and marketing expenses  | 500                    | Within 12 months                            |
| <b>Total</b>  | <b>25,500</b>          |   |

Notes:

\* From the completion of the Proposed Disposal.

(1) PCB will prepay the expenses incidental to the Proposed Listing to be borne by PIL. The amount paid by PCB will be reimbursed by PIL via proceeds raised from the Proposed Listing in due course.

The actual expenses in relation to the Proposed Listing cannot be determined at this juncture as it is subject to the appointment of various advisers, finalisation of the listing scheme (including the issue price) and the outcome of the book building exercise to be conducted in the future.

Notwithstanding this, the expenses are estimated to be approximately RM15.0 million (including professional fees, regulatory fees and other miscellaneous expenses). Any variation in the estimated expenses for the Proposed Listing will be adjusted to/ from the proceeds allocated for staff and other general administrative and operating related expenses.

(2) The details of the PCB Group's bank borrowings that were drawn down subsequent to the LPD and the amount to be repaid are set out below:

| Facility       | Facility amount (RM'000) | Outstanding amount (RM'000) | Amount to be repaid (RM'000) |
|----------------|--------------------------|-----------------------------|------------------------------|
| Bank overdraft | 7,500                    | 7,500                       | 7,500                        |

The above repayment is expected to result in interest savings of RM551,250 to PCB (based on an interest rate of 7.35% per annum).

Pending the utilisation of the proceeds, the Company will place the unutilised cash proceeds in interest-bearing bank deposits and/or money market financial instruments.

**(iv) Liabilities to be assumed by GEMS**

There is no liability, including any contingent liability and guarantee, to be assumed by GEMS.

**(v) Original cost of investment**

The original cost of investment of PCB in PIL was HKD0.01 for one (1) PIL Share on 12 June 2017.

Pursuant to the Internal Reorganisation, an additional 999 PIL Shares will be allotted and issued to PCB at a total consideration of RM86,776,487.

**(vi) Arrangements pursuant to SPA II**

Pursuant to SPA II, PCB and GEMS had on 17 July 2017 entered into the following arrangements:

- (a) an option arrangement letter whereby GEMS shall grant PCB the right to acquire the PIL Shares held by GEMS at the equivalent of the Disposal Consideration in the event that the Proposed Listing does not take place on or before 31 December 2018 or such later date as may be agreed in writing by both PCB and GEMS ("**Call Option Date**") ("**Call Option**").

For the avoidance of doubt, in the event the application for the Proposed Listing is pending deliberation by the Securities and Futures Commission and/or the HKEX as at 31 December 2018, the exercise of the Call Option shall be deferred to such other date being the date of the written notice issued by PCB to GEMS that the listing application has been either lapsed, withdrawn or rejected by the HKEX ("**Revised Call Option Date**").

The Call Option is exercisable from the Call Option Date or Revised Call Option Date, whichever is applicable and up to the expiry of three (3) months from the Call Option Date or Revised Call Option Date, whichever is applicable.

The Call Option shall lapse immediately upon the completion of the Proposed Listing, prior to the Call Option Date or Revised Call Option Date, whichever is applicable.

- (b) an acknowledgement and undertaking letter executed by GEMS whereby PCB is granted full discretion in determining all matters in relation to the Proposed Listing without seeking GEMS' consent, including in relation to making decisions on behalf of PIL and in entering into agreements with third parties in relation to the Proposed Listing.

GEMS also confirm and undertake to render its full co-operation to the Board of PCB and/or PIL in matters relating to the Proposed Listing and that it will neither interfere nor take such steps that may constitute or tantamount to a possible frustration or delay to the Proposed Listing.

**(vii) Source of funding for the Call Option**

Should the Call Option be exercised on the situation described above, PCB expects to fund the acquisition of PIL Shares under the Call Option via internally generated funds.

### **3. INFORMATION ON PIL, PT, PQ, PU AND GEMS**

#### **3.1 PIL**

PIL was incorporated in the Cayman Islands on 12 June 2017 under the Cayman Islands Companies Law (2016 Revision) as an exempted company with limited liability. The authorised share capital of PIL is HKD380,000 divided into 38,000,000 PIL Shares.

Upon incorporation of PIL, one (1) PIL Share was allotted and issued to Mapcal Limited as the initial subscriber, which was then transferred to PCB on the same day. The issued and paid-up share capital of PIL will be increased to HKD10 divided into 1,000 PIL Shares upon completion of the Internal Reorganisation.

The principal activity of PIL is investment holding. PIL will be the holding company of PCB's Automated Solution Business upon completion of the Internal Reorganisation.

#### **3.2 PT**

PT was incorporated as a private limited liability company in Malaysia on 18 March 1995 under the Companies Act, 1965 ("Act"). It is principally involved in the design, assembly and installation of computerised automation systems and equipment.

The issued share capital of PT is RM2,400,000 comprising 2,400,000 ordinary shares. PT is a wholly-owned subsidiary of PCB. The Directors of PT are Chuah Choon Bin, Hon Tuck Weng and Gan Pei Joo.

The audited PAT and NA of PT as at 31 December 2016 are RM21,819,256 and RM65,837,630, respectively.

#### **3.3 PQ**

PQ was incorporated as a private limited liability company in Malaysia on 2 October 2006 under the Act. It is principally involved in equipment design and manufacturing services and manufacturing of high precision machine parts.

The issued share capital of PQ is RM13,160,000 comprising 13,160,000 ordinary shares. PQ is a wholly-owned subsidiary of PCB. The Directors of PQ are Chuah Choon Bin and Gan Pei Joo.

The audited PAT and NA of PQ as at 31 December 2016 are RM4,930,825 and RM10,994,363, respectively.

#### **3.4 PU**

PU was incorporated as a private limited liability company in Malaysia on 18 December 2003 under the Act. It is principally involved in designing and manufacturing of automated testing equipment and test and measurement system for the electrical and electronics industries.

The issued share capital of PU is RM300,000 comprising 300,000 ordinary shares. PU is a wholly-owned subsidiary of PCB. The Directors of PU are Chuah Choon Bin and Gan Pei Joo.

The audited PAT and NA of PU as at 31 December 2016 are RM6,391,056 and RM9,944,494, respectively.

### 3.5 GEMS

GEMS is a private equity limited partnership fund incorporated in Singapore with the Accounting and Corporate Regulatory Authority and having its registered office at 8 Eu Tong Sen Street, #21-83, The Central, Singapore 059818.

GEMS is a registered private equity fund focusing on investments in unlisted private companies during the pre-initial public offering and/or initial public offering placement investment stages and to trade listed securities in Asian stock exchanges. It is managed by GEMS Capital Pte Ltd, a Registered Fund Management Company in Singapore with its address at 8 Eu Tong Sen Street, #21-83, The Central, Singapore 059818. GEMS Capital Pte Ltd was formed in 1999 and has been in the fund management business for approximately 18 years.

Please refer to the website [www.gemscapital.com](http://www.gemscapital.com) for further details on GEMS Capital Pte Ltd.

## 4. RATIONALE OF THE PROPOSALS

### 4.1 Internal Reorganisation

The Internal Reorganisation will facilitate a more efficient group structure by way of promoting a better segregation of business responsibilities and operations for PCB's existing Automated Solution Business and its other smart control solution system business. This will in turn enable the management of the Automated Solution Business and smart control solution system business to efficiently allocate resources and focus on their respective businesses.

In addition, the Internal Reorganisation will also facilitate PIL to act as the listing entity for the Proposed Listing.

### 4.2 Proposed Disposal

The Proposed Disposal will:

- (i) broaden PIL's shareholder base by exposing it to international institutional investors, whilst GEMS' positioning as strategic investor of PIL, coupled with GEMS Capital Pte Ltd's extensive investment experience and network, will add value to the Proposed Listing; and
- (ii) enable PCB to raise funds for the purposes stated in **Section 2.2(iii)** of this announcement without incurring additional financing costs (interest and other finance-related fees).



## 5. RISK FACTORS

Save as disclosed below, the Board is not aware of any other risk factor arising from the Proposed Disposal which could materially affect the business, operating results and financial condition of the Company.

### 5.1 Completion risk

The completion of SPA II is subject to, inter alia, the fulfilment of various completion conditions. In addition, in the event of non-fulfilment of any completion conditions or if the necessary approval is not obtained within the stipulated time period, SPA II may be terminated.

The Company will endeavour to minimise the risk by obtaining the necessary approvals and documents from the relevant parties for the completion of SPA II. Nevertheless, there is no assurance that the Proposed Disposal can be completed within the time period as stipulated in SPA II.

## 6. FINANCIAL EFFECTS OF THE PROPOSALS

### 6.1 Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the share capital and substantial shareholders' shareholding of the Company as the Proposals do not involve issuance of new ordinary shares in PCB ("PCB Share(s)").

### 6.2 NA and gearing

The Internal Reorganisation will not have any material effect on the NA, NA per PCB Share and gearing of the PCB Group.

The proforma effects of the Proposed Disposal on the NA, NA per PCB Share and gearing of the PCB Group are as set out below:

| Group Level  | Audited as at<br>31 December<br>2016<br>RM | I  | II  | III  |
|--|--|--|---|--|
|  |  | Adjusted for<br>subsequent<br>event*<br>RM | After I and the<br>Internal<br>Reorganisation<br>RM | After II and the<br>Proposed<br>Disposal<br>RM |
| Share capital  | 73,283,667                                 | 73,283,667                                 | 73,283,667  | 73,283,667                                     |
| Share premium  | 6,019,703                                  | 6,019,703                                  | 6,019,703   | 6,019,703                                      |
| Retained profits   | 28,893,085                                 | <sup>(1)</sup> 26,870,892                  | 26,870,892  | <sup>(2)</sup> 45,949,432                      |
| <b>Shareholders' funds/<br/>NA attributable to the owners of<br/>the Company</b> | <b>108,196,455</b>                         | <b>106,174,262</b>                         | <b>106,174,262</b>                                  | <b>125,252,802</b>                             |
| No. of PCB Shares in issue   | 146,567,333                                | 146,567,333                                | 146,567,333   | 146,567,333                                    |
| <b>NA per PCB Share (RM)</b>   | <b>0.74</b>                                | <b>0.72</b>                                | <b>0.72</b>   | <b>0.85</b>                                    |
| Total borrowings^ (RM)   | 447,144                                    | 447,144                                    | 447,144   | 447,144  |
| <b>Gearing ratio (times)</b>   | <b>0.004</b>                               | <b>0.004</b>                               | <b>0.004</b>  | <b>0.003</b>                                   |

Notes:

<sup>^</sup> Excluding the bank borrowings amounting to RM7,500,000 as referred to in **Section 2.2(iii)** of this announcement as the facility was drawn down after 31 December 2016 i.e. in July 2017.

\* Subsequent event relates to the acquisition of the remaining 40% equity interest in PU which PCB does not own for a cash consideration of RM6,000,000. The said acquisition was completed on 9 June 2017.

(1) The movement in retained profits represents the premium paid on the acquisition of the remaining 40% equity interest in PU from the non-controlling shareholders of PU.

(2) The movement in retained profits represents the difference between the Disposal Consideration and the proportionate share of GEMS' equity interest in PIL.

### **6.3 Earnings and earnings per PCB Share**

The Internal Reorganisation will not have any effect on the earnings and earnings per PCB Share for the financial year ending 31 December 2017.

The Proposed Disposal is also not expected to have any effect on the earnings and earnings per PCB Share since such disposal does not constitute a loss of control as described in **Section 2.2(ii)** of this announcement.

## **7. APPROVALS REQUIRED**

The Proposals are not subject to the approval of PCB's shareholders and/or any relevant governmental authorities.

## **8. INTER-CONDITIONALITY**

The Internal Reorganisation is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

The Proposed Disposal is conditional upon the Internal Reorganisation.

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

None of the Directors and/or major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposals.

## **10. DIRECTORS' STATEMENT**

The Board, after due consideration of all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

**11. PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements is 23.57%, computed based on the aggregate value of the Disposal Consideration against the audited consolidated NA attributable to the owners of the Company as at 31 December 2016.

**12. ESTIMATED TIMEFRAME FOR THE COMPLETION**

Barring any unforeseen circumstances, the Proposals are expected to be completed by the third quarter of 2017.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

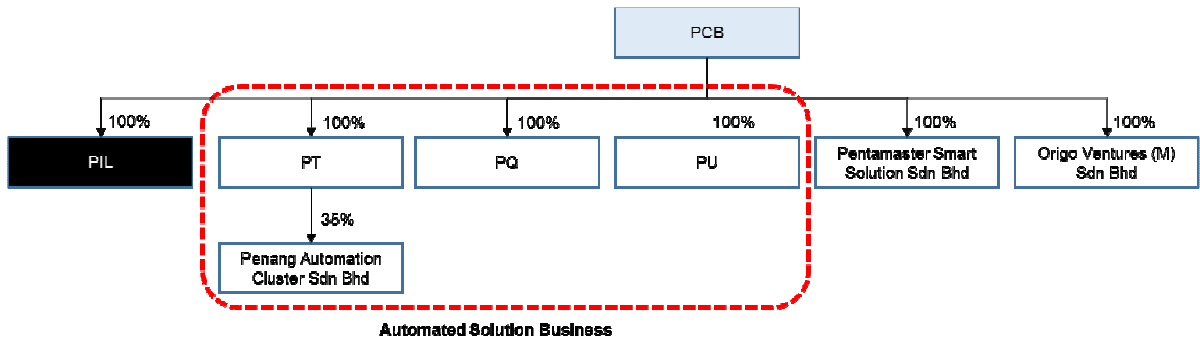
The following documents are available for inspection at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement:

- (i) SPA I;
- (ii) SPA II;
- (iii) option letter as referred to in **Section 2.2(vi)(a)** of this announcement; and
- (iv) acknowledgement and undertaking letter as referred to in **Section 2.2(vi)(b)** of this announcement.

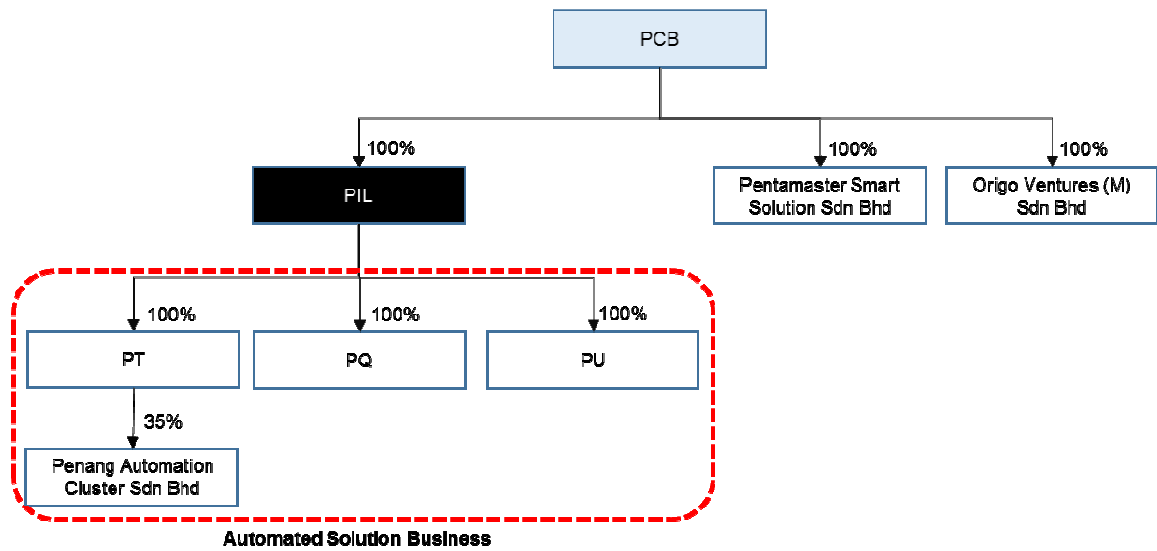
This announcement is dated 17 July 2017.

**APPENDIX I**

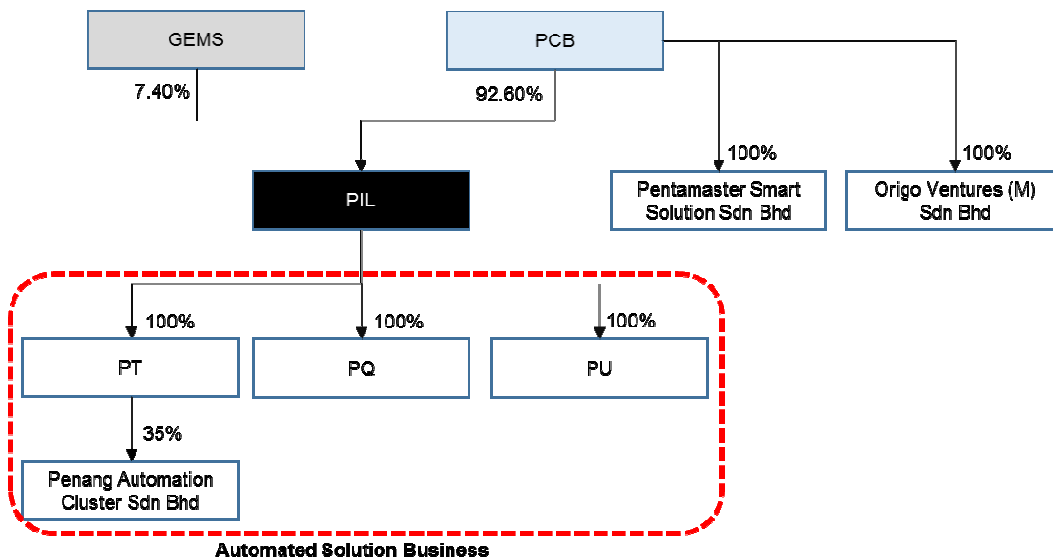
**Existing corporate structure**



**Corporate structure after the Internal Reorganisation**



**Corporate structure after the Proposed Disposal**



## APPENDIX II

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The salient terms of SPA I include, among others, the following:

**(i) Sale and purchase**

On and subject to the terms of SPA I, PCB shall sell and PIL, relying on (inter alia) the several representations, warranties and undertakings contained in SPA I, shall purchase all the ordinary shares of PT, PQ and PU ("**SPA I Sale Shares**"). PCB shall sell, or cause the sale of the SPA I Sale Shares to be made by the registered owner thereof, as legal and beneficial owner and PIL, relying on (inter alia) the several representations, warranties and undertakings contained in SPA I, shall purchase the SPA I Sale Shares free from all encumbrances and together with all rights and advantages attaching thereto on or after the SPA I Completion Date (as defined below) (including all dividends and distributions declared, made or paid on or after the SPA I Completion Date with respect to the SPA I Sale Shares).

**(ii) Reorganisation Consideration**

The Reorganisation Consideration for SPA I Sale Shares shall be RM86,776,487, which is determined with reference to the audited NA of PT, PQ and PU as of 31 December 2016 to be wholly satisfied by PIL by the issuance of 999 PIL Shares to PCB. In consideration of PCB transferring and/or agreeing to transfer the SPA I Sale Shares on the SPA I Completion Date, PIL agrees to issue and allot 999 PIL Shares to PCB in accordance with the provisions under SPA I.

**(iii) Completion**

The completion shall take place on the fourth (4th) business day after the date of SPA I, or such other date as the parties may agree in writing ("**SPA I Completion Date**") at the office of PIL, or such other place as the parties may agree.

On the SPA I Completion Date, PCB shall deliver to PIL or its nominee, the following:

- (a) a certified extract of the resolutions of the board of directors of PCB approving its execution, exercise of its rights and performance of its obligations, under SPA I which approvals shall be valid as at the SPA I Completion Date and not have been withdrawn or revoked;
- (b) duly executed, valid and registrable transfers in respect of the SPA I Sale Shares duly executed by PCB, in favour of PIL, together with stamp duty forms duly completed by PCB (if relevant) required with respect to such transfers, both (where necessary) for countersignature by PIL;
- (c) a certified extract of the resolutions of the board of directors of PT, PQ and PU, approving (subject to countersignature of the transfer forms by PIL and due stamping of the transfer forms), the transfer of the SPA I Sale Shares from PCB to PIL;
- (d) to the extent not in the possession of any PT, PQ and PU, the records of each of the company; and
- (e) such other documents required to effect the transfer of the SPA I Sale Shares to PIL, duly executed by PCB (where necessary).

## APPENDIX II

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On the SPA I Completion Date, PIL shall deliver to PCB, the following:

- (a) certified true copies of the resolutions duly passed by the board of directors of PIL approving the purchase of the SPA I Sale Shares and the issue and allotment of 999 PIL Shares to PCB within two (2) business days from the SPA I Completion Date, in accordance with the terms and conditions of SPA I; and
- (b) countersigned originals (if required) of all share transfer forms required to transfer the SPA I Sale Shares to PIL.

**(iv) Consideration shares**

Within two (2) business days from the SPA I Completion Date, PIL shall issue and allot 999 PIL Shares to PCB by delivery to PCB the original certificates for the PIL Shares issued.

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## APPENDIX III

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The salient terms of SPA II include, among others, the following:

**(i) Sale and purchase**

On and subject to the terms of SPA II, PCB shall sell and GEMS, relying on (inter alia) the several representations, warranties and undertakings contained in SPA II, shall purchase 74 ordinary shares of HKD0.01 each in PIL ("**SPA II Sale Shares**") free from all encumbrances and together with all rights and advantages attaching thereto on or after the SPA II Completion Date (as defined below) (excluding all dividends and distributions declared, made or paid on or after the SPA II Completion Date with respect to the SPA II Sale Shares more specifically provided in **Item (vi)** below).

**(ii) Disposal Consideration**

The consideration for the disposal of the SPA II Sale Shares shall be RM25,500,000, which has been arrived at on a "willing buyer – willing seller" basis after arm's length negotiations taking into consideration the audited financials of PT, PQ and PU for the year ended 31 December 2016, high and low of PCB's traded PE Multiple for the past twelve (12) months up to 30 June 2017, and the closing PB Multiple of PCB for the past twelve (12) months up to 30 June 2017.

**(iii) Payment of consideration**

Simultaneously with the execution of SPA II, GEMS shall pay a sum of RM2,550,000 to PCB's solicitors as stakeholders as deposit and towards account of the Disposal Consideration.

The balance of the Disposal Consideration amounting to RM22,950,000 ("**Balance Consideration**") shall be paid by GEMS to PCB on completion of SPA II by depositing the same, with PCB or PCB's solicitors.

**(iv) Completion**

The completion shall take place on the date falling on the tenth (10th) business day after the date of SPA II, or such other date as the parties may agree in writing ("**SPA II Completion Date**") at the office of PCB, or such other place as the parties may agree.

On the SPA II Completion Date, PCB shall deliver to GEMS the followings:

- (a) a certified extract of the resolutions of the Board of Directors of PCB, approving the sale of the SPA II Sale Shares to GEMS at RM25,500,000;
- (b) a certified extract of the resolutions of the Board of Directors of PIL approving the transfer of the SPA II Sale Shares from PCB to GEMS and the updating of the register of members of PIL to reflect the transfer of the SPA II Sale Shares;
- (c) the duly executed, valid and registrable transfers in respect of the SPA II Sale Shares, in favour of GEMS, together with duly completed (if relevant) stamp duty forms required with respect to such transfers, both (where necessary) for countersignature by GEMS and share certificate for the SPA II Sale Shares; and
- (d) such other documents required to effect the transfer of the SPA II Sale Shares to GEMS.

## APPENDIX III

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On the SPA II Completion Date, GEMS shall deliver to PCB, the followings:

- (a) countersigned originals (if required) of all share transfer forms required to transfer the SPA II Sale Shares to GEMS; and
- (b) full payment of the Balance Consideration to PCB or PCB's solicitors as the case may be.

**(v) Default**

The parties agree that in the event GEMS breaches any of the terms of SPA II including but not limited to failure to pay the sum mentioned in **Item (iii)** above, PCB shall be entitled to terminate SPA II by written notice to GEMS.

**(vi) Dividend and distribution entitlements**

Notwithstanding anything to the contrary contained in SPA II and for the avoidance of doubt, GEMS shall not be entitled to any dividend and distribution declared, made or paid prior to the earlier of the following:

- (a) 31 December 2018 or such other date as may be agreed in writing by both parties; or
- (b) the listing date of PIL Shares on the Main Board of the HKEX.

- (vii)** GEMS shall, on execution of SPA II issue an irrevocable and unconditional letter of instruction addressed to the company secretary of PIL, to transmit all such dividends and distribution accruing to the SPA II Sale Shares to PCB directly. In the event GEMS receives such dividends and distribution accruing to the SPA II Sale Shares, it shall render the payment of such dividends and distribution to PCB no later than three (3) business days from its receipt of the dividends and distribution.

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