

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

RELATED PARTY TRANSACTIONS

PROPOSED INVESTMENT IN PINGSPACE SDN. BHD. BY PENTAMASTER INNOTEQ SDN. BHD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

The board (the “Board”) of directors (the “Directors”) of PCB is pleased to announce that its wholly-owned subsidiary, Pentamaster Innoteq Sdn. Bhd. (“PISB”) had on 8 July 2022 entered into a Share Investment Agreement (the “Agreement”) to subscribe for 225,451 new fully paid up ordinary shares (the “Shares”) representing 6.8% of the total enlarged issued and paid-up capital in Pingspace Sdn. Bhd. (“Pingspace”) (the “Proposed Investment”) for a total cash consideration of Ringgit Malaysia Five Million (RM 5,000,000) only (“Consideration”).

(Each of PISB and Pingspace is referred to as a “Party” and collectively known as the “Parties”).

2. DETAILS OF THE PROPOSED INVESTMENT

2.1 Information on PISB

PISB was incorporated in Malaysia on 22 September 2021 and the principal activities of PISB are technology and solution investment and to provide testing solution services.

The current paid-up capital of PISB is RM5,000,000 comprising of 5,000,000 ordinary shares. The Directors of PISB are Chuah Choon Bin and Gan Pei Joo. PISB is a wholly-owned subsidiary of PCB.

PISB is not a major subsidiary of PCB.

2.2 Information on Pingspace

Pingspace was incorporated in Malaysia on 25 August 2017 and the principal activities of Pingspace are:-

- (i) Development and marketing of electronic appliances, systems hardware and software applications, robotic technology, product design and other related businesses;
- (ii) Operation of all types of storage and warehouse facilities for all kind of food, goods and merchandise; and
- (iii) Operation of e-commerce portal and other websites that act as portal to the internet.

The current paid-up capital of Pingspace is RM3,090,000 comprising of 3,090,000 ordinary shares. Mr. Chuah Di Ken is the sole director and shareholder of Pingspace.

2.3 Source of funding

The Proposed Investment will be financed through internally generated funds and proceeds raised from the offer for sale of Pentamaster International Limited (“PIL”) shares by PCB in connection with the listing exercise of PIL, a subsidiary of PCB, on The Stock Exchange of Hong Kong Limited on 19 January 2018 (“PIL Listing Proceeds”).

Kindly refer to the circular to shareholders of the Company dated 24 October 2017 and announcements dated 29 December 2017, 18 January 2018, 19 January 2018 and 17 January 2020 for details relating to the PIL Listing Proceeds and its proposed utilisation.

2.4 Basis of arriving at and justification for the consideration

The Consideration was arrived at based on an independent valuation being conducted on Pingspace which valued the company in between RM86.6 million to RM90.2 million, and applying a discount of 15% on to the low range value of RM86.6 million. This gives rise to a post money valuation of Pingspace at RM73.6 million.

Having assessed and deliberated on the value analysis conducted by the independent valuer and with a further discount adjustment of 15%, the Board deem the Consideration to be fairly risk-adjusted for its investment.

2.5 Assumption of Liabilities

There are no liabilities, including contingent liabilities and guarantees to be assumed by PISB or PCB Group arising from the Proposed Investment.

3. SALIENT TERMS OF THE AGREEMENT

Salient terms of the Agreement are as follows:

3.1 Conditions precedent

The completion of the Proposed Investment is conditional on the satisfaction or waiver of the following conditions:-

- (i) all necessary regulatory consents having been obtained (if any);
- (ii) PISB having obtained their Board of Directors' and shareholders' approval (if applicable) approving the entering into the Agreement;
- (iii) Pingspace having obtained their Board of Directors' and shareholders' approval approving the entering into the Agreement;
- (iv) No legislation or regulation being proposed or passed that would prohibit or materially restrict the implementation of the Agreement or the participation as shareholder; and
- (v) The successful new ordinary shares of Pingspace be issued and registered to PISB, free from encumbrances and together with all rights and benefits attaching thereto.

3.2 Completion

The completion of the Proposed Investment shall take place at end of business day on the second business day after all the conditions have been satisfied or waived or any other date agreed in writing by the Parties at:

- (i) the offices of PISB; or
- (ii) any other place agreed in writing by the Parties.

3.3 Board composition

Unless otherwise determined by the shareholders of Pingspace in accordance to its Constitution:

- (i) the Board in Pingspace shall consist of a minimum of one (1) Director from PISB for as long as PISB is the shareholder of Pingspace;
- (ii) the shareholders of Pingspace undertake and covenant with one another that each will exercise its voting rights for the time being and take such other steps within its power to procure that the Board of Pingspace will be constituted as provided by this clause 3.3.

3.4 New shares issues

Save and except for the Share Investment Agreement, the Parties agree that any creation or issue of new shares shall require the prior written approval of all shareholders. Any new shares issued by Pingspace shall be first offered to its existing shareholders at the time of the proposed new issue.

3.5 Transfer of shares

3.5.1 Restrictions

No shareholder shall directly or indirectly sell, assign, transfer, pledge, mortgage, charge or otherwise dispose of any shares or interest in any shares other than in accordance with the provisions on the transfer of shares and events of default as stated in the Agreement.

3.5.2 Transfers to related corporations

A shareholder may transfer all of its shares in Pingspace to its related corporation provided that:

- (i) as a condition to such transfer, the transferring shareholder procures that the transferee executes and delivers to the other Parties a Deed of Adherence agreeing to be bound by the terms of the Agreement as if it were a party to it;
- (ii) the transferring shareholder and the transferee agree that the transferee shall remain a related corporation to the transferring shareholder so long as the transferee owns any shares;
- (iii) approval from the relevant authorities, if required, has been obtained with respect to the proposed transfer; and
- (iv) the other shareholder shall be entitled to require the transferring shareholder to execute a guarantee in favour of the remaining shareholders in respect of the liabilities and obligations assumed by the transferee as a result of becoming a shareholder.

3.5.3 Tag along rights

Any proposed transfers of shares by the transferor shall have the obligations to each remaining shareholders the right to require the proposed transferee to purchase from each such remaining shareholders at the same terms and price in the contemplated transfer of shares.

3.5.4 Registration of transferee

Pingspace and shareholders of Pingspace shall procure that Pingspace shall not register any transferee as the holder of any shares unless the provisions of this clause 3.5 have been complied with and confirmed by the Directors of Pingspace.

3.5.5 Waiver

The restrictions imposed by this clause 3.5 may be waived in relation to any proposed transfer of shares with the consent of all shareholders who, but for the waiver, would or might have been entitled to have such shares offered to them in accordance with this clause 3.5.

4. RATIONALE FOR THE PROPOSED INVESTMENT

The investment into Pingspace shall serve part of the Company's business expansion through investment and acquisition from proceeds raised from the offer for sale of PIL shares by PCB in connection with the listing exercise of PIL, a subsidiary of PCB.

The investment into Pingspace shall provide PCB Group an opportunity in synergizing its current business model in logistic and warehouse automation, besides offering PCB Group a platform in tapping human talent and technology capabilities in the software application businesses. Such high-tech start up investment will also enable PCB Group to nurture local technology start up industry as part of PCB Group's environmental, sustainability and governance initiative while offering a platform for the Company to generate positive investment return.

5. RISK FACTORS

5.1 Business risk

The potential benefits to be realised from the Proposed Investment are dependent upon the profitability of Pingspace's current business as well as the successful development and commercialisation of new products of Pingspace. The Proposed Investment is expected to contribute positively to the future performance of the PCB Group. However, there is no assurance that the anticipated benefits of the Proposed Investment will be realised after the completion of the Proposed Investment.

Notwithstanding the foregoing, PCB Group will constantly monitor the progress and performance of Pingspace.

5.2 Non-completion risk

The Proposed Acquisition is subject to the risk of non-completion of the Agreement for whatsoever reason (other than due to any act or default of PISB or Pingspace).

In the event the conditions precedent are not fulfilled, the Proposed Acquisition may not be completed, which may result in the failure of the Group to achieve the intended objectives and potential benefits of the Proposed Acquisition.

Notwithstanding the above, PISB and Pingspace will take reasonable steps to ensure that the conditions precedent are met within the stipulated timeframe and to be completed in a timely manner.

6. EFFECTS OF THE PROPOSED INVESTMENT

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Investment will not have any effect on the issued share capital of PCB and the substantial shareholders' shareholdings in PCB as the Proposed Investment does not involve any issuance of new ordinary shares in PCB.

6.2 Earnings and earnings per share

The Proposed Investment is not expected to have any material effect on the earnings of PCB Group and EPS of the Company as the financial results of Pingspace will not be consolidated by PCB Group.

6.3 Net Assets ("NA") and gearing

The Proposed Investment is not expected to have any material effect on the NA and gearing of PCB Group for the financial year ending 31 December 2022.

7. APPROVALS REQUIRED

The Proposed Investment is not subject to the approval of any governmental authorities or the shareholders of the Company.

8. CONDITIONALITY

The Proposed Investment is not conditional upon any other corporate proposals undertaken or to be undertaken by PCB.

9. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS

Mr. Chuah Choon Bin is a Director and a major shareholder of PCB holding 19.74% direct interest in the ordinary shares of PCB comprising 140,420,120 ordinary shares and 0.02% indirect interest in the ordinary shares of PCB comprising 138,510 ordinary shares (deemed interested through the shareholding of his spouse). Mr. Chuah Choon Bin is deemed interested on the Proposed Investment as Mr. Chuah Di Ken, the sole director and shareholder of Pingspace is his son. Mr. Chuah Choon Bin has no interest, direct or indirect, in the shareholding of Pingspace.

Save as disclosed above, none of the Directors and/or major shareholders of PCB and/or persons connected with them have any interest, direct or indirect, in the Proposed Investment.

10. DIRECTORS' STATEMENT

The Board of Directors (save for Mr. Chuah Choon Bin who is deemed interested in the Proposed Investment and has abstained from forming an opinion), having considered all aspects of the Proposed Investment, including but not limited to the rationale, financial effects and risks associated with the Proposed Investment, is of the opinion that the Proposed Investment is in the best interest of PCB Group.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Investment is expected to be completed by August 2022.

12. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Investment pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.63% based on the latest audited consolidated financial statements of PCB for the financial year ended 31 December 2021.

13. DOCUMENTS FOR INSPECTION

The Agreement and valuation report are available for inspection at the registered office of PCB at 35, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 8 July 2022.