

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

- (I) PROPOSED BONUS ISSUE OF 11,725,386 NEW ORDINARY SHARES IN PCB (“PCB SHARE(S)”) (“BONUS SHARE(S)”) ON THE BASIS OF 2 BONUS SHARES FOR EVERY 25 EXISTING PCB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“ENTITLEMENT DATE”) (“PROPOSED BONUS ISSUE”); AND**
- (II) PROPOSED SHARE SPLIT INVOLVING THE SUBDIVISION OF EVERY 1 PCB SHARE HELD AFTER THE PROPOSED BONUS ISSUE INTO 2 ORDINARY SHARES IN PCB (“SUBDIVIDED SHARE(S)”) (“PROPOSED SHARE SPLIT”).**

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of PCB (**“Board”**), Affin Hwang Investment Bank Berhad (**“Affin Hwang IB”**) is pleased to announce that the Company proposes to undertake the Proposals.

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

2. DETAILS OF THE PROPOSALS

2.1 Proposed Bonus Issue

2.1.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue will entail the issuance of 11,725,386 Bonus Shares to be credited as fully paid-up on the basis of 2 Bonus Shares for every 25 existing PCB Shares held by the shareholders whose names appear in the Record of Depositors of the Company on the Entitlement Date (**“Entitled Shareholders”**).

The issuance of 11,725,386 Bonus Shares is based on the issued share capital of the Company as at 30 August 2017, being the latest practicable date prior to this announcement (**“LPD”**) of RM79,303,370 comprising 146,567,333 PCB Shares. The Company does not hold any treasury shares as at the LPD.

In determining the shareholders’ entitlement to the Proposed Bonus Issue, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board, in their discretion, thinks expedient and in the best interests of the Company.

The Proposed Bonus Issue will not be implemented on a staggered basis and will be implemented concurrently with the Proposed Share Split. It is the Board’s intention to fix the Entitlement Date for the Proposed Bonus Issue and Proposed Share Split on the same date, which will be determined at a later date upon receipt of all relevant approvals for the Proposals.

2.1.2 Capitalisation of reserves

The Proposed Bonus Issue will be capitalised entirely from the Company's share premium account at RM0.50 per Bonus Share, being the reference to the par value of PCB Shares immediately before the effective date of the Companies Act 2016 ("Act"), pursuant to Section 618(7) of the Act.

An illustration of the proposed capitalisation for the Proposed Bonus Issue based on the Company's latest audited financial statements for the financial year ended ("FYE") 31 December 2016 and latest unaudited quarterly results for the six (6)-month financial period ended ("FPE") 30 June 2017 are as follows:

Company level	Audited as at 31 December 2016 (RM)	Unaudited as at 30 June 2017 (RM)
Share premium *	6,019,703	6,019,703
Less: Amount to be capitalised pursuant to the Proposed Bonus Issue	(5,862,693)	(5,862,693)
After the Proposed Bonus Issue	157,010	157,010

Note:

* Pursuant to the Act which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and any amount standing to the credit of the Company's share premium account has been consolidated as part of its share capital. However, Section 618(3)(c) of the Act provides that the Company may utilise its share premium balance by undertaking the Proposed Bonus Issue within 24-month period from 31 January 2017.

Pursuant to Paragraph 6.30(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), the Board confirms that the Company has adequate reserves available for capitalisation of the Bonus Shares and such reserves are unimpaired by losses on a consolidated basis based on the latest audited financial statements of PCB for the FYE 31 December 2016 as well as the latest unaudited quarterly results for the FPE 30 June 2017.

2.1.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing PCB Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment of the Bonus Shares.

2.1.4 Listing of and quotation for the Bonus Shares

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

Upon obtaining all the necessary approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date. The notice of allotment of the Bonus Shares will be issued and despatched to the Entitled Shareholders within four (4) market days after the date of listing of and quotation for the Bonus Shares, or such other period as may be prescribed by Bursa Securities.

The Proposed Share Split will be undertaken immediately after the issuance of the Bonus Shares. Thus, the Bonus Shares to be listed shall be in the form of the Subdivided Shares.

2.2 Proposed Share Split

2.2.1 Basis and number of Subdivided Shares to be issued

The Proposed Share Split will entail the subdivision of every 1 PCB Share held by the Entitled Shareholders after the Proposed Bonus Issue into 2 Subdivided Shares.

Pursuant to the Proposed Bonus Issue, the issued share capital of PCB will be RM79,303,370 comprising 158,292,719 PCB Shares. Subsequently, upon completion of the Proposed Share Split, the issued share capital of PCB will be RM79,303,370 comprising 316,585,438 Subdivided Shares.

For illustrative purposes, based on the last transacted market price of PCB Shares as at the LPD of RM4.94, the market price of the Subdivided Shares after the Proposed Bonus Issue and Proposed Share Split shall theoretically be adjusted as follows:

	Market price/ Theoretical price per share	Assumed no. of PCB Shares held	Total value (RM)
As at the LPD	4.94	1,000	4,940
After the Proposed Bonus Issue	4.57	1,080	4,940
After the Proposed Share Split	2.29	2,160	4,940

As illustrated above, the Proposals are not expected to have any impact on the total value of PCB Shares held by the Entitled Shareholders.

2.2.3 Ranking of the Subdivided Shares

The Subdivided Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other.

2.2.3 Listing of and quotation for the Subdivided Shares

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

No suspension will be imposed on the trading of PCB Shares on Bursa Securities for the purpose of implementing the Proposed Share Split as the Proposed Share Split is prescribed as a Specified Subdivision pursuant to Paragraph 13.04(3) of the Listing Requirements.

The Subdivided Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date. The notice of allotment of the Subdivided Shares will be issued and despatched to the Entitled Shareholders within four (4) market days after the date of listing of and quotation for the Subdivided Shares, or such other period as may be prescribed by Bursa Securities.

3. RATIONALE OF THE PROPOSALS

3.1 Proposed Bonus Issue

The Proposed Bonus Issue is intended to reward the shareholders of the Company for their loyalty and continued support to PCB and its subsidiaries (“**PCB Group**”). After due consideration of the various options available, the Board is of the view that the Proposed Bonus Issue is an appropriate avenue for PCB to reward its shareholders as it will enable the existing shareholders to have greater participation in the equity of the Company in terms of the number of PCB Shares held, whilst maintaining their percentage of equity interest.

3.2 Proposed Share Split

- (i) The Proposed Share Split is expected to enhance the marketability and trading liquidity of PCB Shares on the Main Market of Bursa Securities as a result of the increase in the number of ordinary shares in issue; and
- (ii) The Proposed Share Split would result in an adjustment to the market price of PCB Shares to a more affordable entry price, thus potentially appealing to a wider group of public shareholders and/or investors to invest in the growth of the Company.

4. EFFECTS OF THE PROPOSALS

4.1 Share capital

For illustrative purposes, the proforma effects of the Proposals on the share capital of PCB are as follows:

	No. of PCB Shares	RM
Share capital as at the LPD	146,567,333	79,303,370 ⁽¹⁾
New PCB Shares to be issued pursuant to the Proposed Bonus Issue	11,725,386	– ⁽²⁾
Enlarged share capital after the Proposed Bonus Issue	158,292,719	79,303,370
After the Proposed Share Split	316,585,438	79,303,370

Notes:

- (1) The Company’s share premium balance of RM6,019,703 as at the LPD became part of PCB’s share capital pursuant to Section 618(2) of the Act.
- (2) After the utilisation of the share premium balance for purposes of capitalisation of the Bonus Shares as set out in **Section 2.1.2** of this announcement.

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

For illustrative purposes, the proforma effects of the Proposals on the NA, NA per PCB Share and gearing of the PCB Group based on its latest audited consolidated statement of financial position as at 31 December 2016 are as follows:

	Audited as at 31 December 2016 (RM'000)	(I)	(II)	(III)	(IV)
		Adjusted for subsequent events ⁽¹⁾ (RM'000)	After I and the Proposed Share Award Scheme (RM'000)	After II and the Proposed Bonus Issue (RM'000)	After III and the Proposed Share Split (RM'000)
Share capital	73,284	73,284	73,284	79,147	79,147
Share premium	6,020	6,020	6,020	157 ⁽³⁾	157
Retained earnings	28,893	45,956	68,174 ⁽²⁾	68,174	68,054 ⁽⁴⁾
Shareholders' funds/ NA attributable to the owners of the Company	108,197	125,260	147,478	147,478	147,358
No. of PCB Shares in issue ('000)	146,567	146,567	146,567	158,292	316,585
NA per Share (RM)	0.74	0.85	1.01	0.93	0.47
Total borrowings (RM'000)	447	447	447	447	447
Gearing (times)	0.004	0.004	0.003	0.003	0.003

Notes:

(1) Subsequent events relate to:

(i) the acquisition of the remaining 40% equity interest in Pentamaster Instrumentation Sdn Bhd which PCB does not own for a cash consideration of RM6,000,000. The said acquisition was completed on 9 June 2017; and

(ii) the investment by GEMS Opportunities Limited Partnership in Pentamaster International Limited (“PIL”), a subsidiary of PCB, for a cash consideration of RM25,500,000. The said investment was completed on 31 July 2017.

(2) After taking into account of the proposed establishment of a share award scheme for the eligible employees of PIL and its subsidiaries (“**Eligible Employees**”) (“**Proposed Share Award Scheme**”), pursuant to which PCB proposes to allocate a total of 20,000 ordinary shares of HKD0.01 each in PIL, representing approximately 8.40% of the equity interest in PIL, to the Eligible Employees for a total cash consideration of RM29,500,000 (“**Scheme Consideration**”), as announced on 11 September 2017. The movement in retained earnings represents the difference between the Scheme Consideration and the proportionate share of the Eligible Employees' equity interest in PIL.

(3) After capitalisation of RM5,862,693 for the Proposed Bonus Issue.

(4) After deduction of estimated expenses amounting to RM120,000 in relation to the Proposals.

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

Save for the defrayment of costs incurred pursuant to the Proposals, the Proposals are not expected to have any material effect on the earnings of the PCB Group for the financial year ending 31 December 2017. However, there will be a corresponding dilution in the EPS of the PCB Group as a result of the increase in the number of PCB Shares arising from the Proposals.

4.4 Substantial shareholders' shareholdings

Save for the proportionate increase in the total number of PCB Shares held by each substantial shareholder, the Proposals will not have any effect on the percentage shareholdings of the substantial shareholders of the Company.

4.5 Convertible securities

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

5. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities for the Proposed Share Split and the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;
- (ii) the shareholders of PCB at an extraordinary general meeting to be convened for the Proposals; and
- (iii) any other relevant authorities/parties, if required.

6. CONDITIONALITY

The Proposals are inter-conditional upon each other.

Save for the above, the Proposals are not conditional upon any other corporate exercise undertaken by the Company.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of the Company and/or persons connected with them have any interest, directly or indirectly, in the Proposals, apart from their respective entitlements under the Proposals as shareholders of PCB, to which all other Entitled Shareholders are similarly entitled to.

8. DIRECTORS' STATEMENT

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

9. APPLICATION TO THE RELEVANT AUTHORITIES

The application to the relevant authorities will be made within one (1) month from the date of this announcement.

10. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the receipt of all the required approvals from the relevant parties and authorities, the Proposals are expected to be completed in the fourth (4th) quarter of 2017.

11. ADVISER

Affin Hwang IB has been appointed by the Company as the Principal Adviser for the Proposals.

This announcement is dated 21 September 2017.