

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

PROPOSED BONUS ISSUE OF UP TO 158,292,712 NEW ORDINARY SHARES IN PENTAMASTER CORPORATION BERHAD (“PCB SHARES”) (“BONUS SHARES”) ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY TWO (2) EXISTING PCB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED BONUS ISSUE”)

1. INTRODUCTION

The Board of Directors of PCB (“**Board**”) wishes to announce that the Company is proposing to undertake a bonus issue of up to 158,292,712 new ordinary shares in PCB on the basis of one (1) Bonus Share for every two (2) existing PCB Shares held on an entitlement date to be determined and announced later (“**Entitlement Date**”).

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue will entail the issuance of up to 158,292,712 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) existing PCB Shares held by entitled shareholders on the Entitlement Date.

The issuance of up to 158,292,712 Bonus Shares is based on the issued share capital of the Company of RM79,303,370 comprising 316,585,424 PCB Shares as at 29 March 2019, being the latest practicable date prior to the release of this announcement (“**LPD**”). 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 over a period of time. The Entitlement Date for the Proposed Bonus Issue will be determined and announced at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue.

For illustration purposes, based on the 5-day volume weighted average price (“**VWAP**”) of PCB Shares up to the LPD, of RM3.48 per PCB Share, the theoretical ex-bonus share price of PCB Shares is RM2.32. Further, the Board confirms that the share price adjusted for the Proposed Bonus Issue is not less than RM0.50 based on the daily VWAP during the past 3-month period up to the LPD in accordance with Paragraph 6.30(1A) of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

2.2 No capitalisation of reserves

For avoidance of doubt, there shall not be any capitalisation of the Company’s reserves pursuant to the Proposed Bonus Issue.

Under the Companies Act 2016 (“**Act**”) which came into effect on 31 January 2017, replacing the Companies Act 1965 (“**1965 Act**”), the concept of par value for shares of Malaysian companies has been abolished. The 1965 Act had stipulated that shares may not be issued at a discount to par value, and an amount must be capitalised from retained earnings or reserves of a company and be transferred to the share capital account of a company in connection with an issuance of new shares.

Under the Act, such requirements are no longer applicable and there is no stipulation that cash consideration must be paid or transferred in connection with an issuance of new shares. As a result of this, a bonus issue can now be undertaken either: -

- (i) by way of capitalisation from the amount standing to the credit of the share premium account or capital redemption reserves of a company (applicable only during the 24 months transitional period as stipulated under Section 618(3)(c) of the Act read together with Practice Note 1/2017 dated 8 February 2017 issued by the Companies Commission of Malaysia); or
- (ii) without capitalisation, in a manner akin to a subdivision of shares.

Given the foregoing, our Board has resolved that the Bonus Shares shall be issued as fully paid shares at no consideration and without any capitalisation from the Company's reserves, in accordance with the provisions of the new Act.

2.3 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.

2.4 Listing and quotation for the Bonus Shares

An application will be made to Bursa Securities for the listing and quotation for the Bonus Shares to be issued 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.

3. RATIONALE FOR THE 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. In addition, the Proposed Bonus Issue may possibly be able to encourage trading liquidity and marketability of PCB Shares on Bursa Securities.

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4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Share Capital

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

	No. of PCB Shares	RM
Share capital as at the LPD	316,585,424	79,303,370
New PCB Shares to be issued pursuant to the Proposed Bonus Issue	158,292,712	-(1)
Enlarged share capital after the Proposed Bonus Issue	474,878,136	79,303,370

Note:

(1) The Bonus Shares shall be issued as fully paid shares at no consideration and without capitalisation from the Company's reserves as explained in Section 2.2 of this announcement.

4.2 Net assets ("NA"), NA per share and gearing

For illustrative purposes, the proforma effects of the Proposed Bonus Issue on the NA, NA per share and gearing of PCB Group based on the latest audited consolidated statements of financial position of PCB as at 31 December 2017 are as follows:-

	Audited as at 31 December 2017 RM'000	After the Proposed Bonus Issue RM'000
Share Capital	79,303	79,303
Retained profits	100,917	100,887 ⁽³⁾
Equity attributable to owners of the parent	180,220	180,190
Non-controlling interests	20,126	20,126
Total equity	200,346	200,316
No. of shares in issue ('000)	316,585	474,878
NA per share attributable to ordinary equity holders of the parent ⁽¹⁾ (RM)	0.569	0.379
Borrowings ('000)	4,269	4,269
Gearing ⁽²⁾ (times)	0.021	0.021

Notes:

(1) Calculated as equity attributable to owners of the parent divided by the number of PCB Shares.

(2) Calculated as net borrowings divided by total equity.

(3) After deducting the estimated expenses in relation to the Proposed Bonus Issue of approximately RM30,000.00.

4.3 Earnings and earnings per share ("EPS")

The Proposed Bonus Issue is not expected to have any effect on the earnings of PCB Group for the financial year ending ("FYE") 31 December 2019. However, there will be a corresponding dilution in the EPS of PCB Group for the FYE 31 December 2019 as a result of the increase in the number of PCB Shares in issue arising from the Proposed Bonus Issue.

4.4 Existing convertible securities

As at the date of this announcement, there are no options, warrants or convertible securities issued by the Company.

4.5 Substantial shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the percentage shareholdings of the substantial shareholders of PCB as the Bonus Shares will be allotted on a pro-rata basis to all the shareholders of the Company. However, the number of PCB Shares held by the substantial shareholders will increase proportionately pursuant to the Proposed Bonus Issue.

5. APPROVALS REQUIRED

The Proposed Bonus Issue is subject to the following approvals: -

- (i) Bursa Securities for 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 ("**EGM**") to be convened; and
- (iii) any other relevant authorities, if required.

The Proposed Bonus Issue is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

6. INTERESTS OF THE DIRECTORS' AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Bonus Issue, save for their respective entitlements to the Bonus Shares as shareholders of PCB, to which all other entitled shareholders are similarly entitled.

7. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Bonus Issue, including the rationale and financial effects of the Proposed Bonus Issue, is of the opinion that the Proposed Bonus Issue is in the best interest of the Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the required approvals being obtained from the relevant authorities and/or parties, the Board expects the Proposed Bonus Issue to be completed before the end of July 2019.

9. APPLICATION TO THE AUTHORITIES

Barring any unforeseen circumstances, applications to the relevant regulatory authorities for the Proposed Bonus Issue shall be made within one (1) month from the date of this announcement.

This announcement is dated 2 April 2019.