

PENTAMASTER CORPORATION BERHAD

PROPOSED SUBSCRIPTION OF NEW SHARES IN EVERREADY PRECISION INDUSTRIAL CORP, TAIWAN, REPUBLIC OF CHINA BY PENTAMASTER INNOTEQ SDN. BHD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

The board (the “**Board**”) of directors (the “**Directors**”) of Pentamaster Corporation Berhad (“**PCB**” or the “**Company**”) is pleased to announce that Pentamaster InnoTeq Sdn. Bhd. (“**PISB**”), a wholly owned subsidiary of PCB, has on 4th July 2022, subscribed for 16,614,507 new fully paid up ordinary shares in Everready Precision Industrial Corp, Taiwan, Republic of China (“**EPIC**”) (“**EPIC Shares**”) representing 29.9% of the enlarged equity interest in EPIC (“**Proposed Subscription**”) for a total consideration of United States Dollar Six Million Seven Hundred Seventy Six Thousand Seven Hundred and Thirty Three (USD6,776,733) only (approximately equivalent to Ringgit Malaysia Twenty Nine Million Eight Hundred Eighty Five Thousand Three Hundred Ninety Three (RM29,885,393) at an exchange rate of USD1 : RM4.4100) (“**Subscription Price**”).

2. DETAILS OF THE PROPOSED SUBSCRIPTION

2.1 Information on EPIC

EPIC was incorporated in Taiwan, Republic of China on 7 October 1980 and the principal activity of EPIC and its subsidiaries are designing and manufacturing end-to-end opto-electronics solutions that covers optical molds to lenses and 3D sensing modules.

EPIC’s subsidiary companies details as set out below:

Name of subsidiary company	% equity held	Principal activities
AHEAD Optoelectronics, Inc., Taiwan, Republic of China (“ AHEAD ”)	88.89%	Manufacturing of Optical integration solutions and components
SHOWIN Technology Co., Ltd, Taiwan, Republic of China	100%	Designing and Manufacturing of advance optical precision mold and lens
EPIC International Technology Co., Ltd, Cayman Island	100%	Investment Holding
Dongguan Gaoyao Technology Co., People’s Republic of China	100%	Plastic injection product manufacturing, Manufacture and assembly of various optical lenses and technical services.

The current paid-up capital of EPIC is NT\$389,524,080 comprising of 38,952,408 ordinary shares. After the Proposed Subscription by PISB, the enlarged paid-up capital of EPIC will be NT\$555,669,150 comprising of 55,566,915 ordinary shares with PISB holding 29.9% equity interest in EPIC.

The directors of EPIC as at the date of this announcement are:

Name	Nationality
YEN, Ming-Yi (顏銘毅)	Taiwan, Republic of China
HUNG, Chia-Liang (洪嘉涼)	Taiwan, Republic of China
YEN, Yao-Hsing (顏耀星)	Taiwan, Republic of China
KUNG, Ling-Kuo (孔令國)	Taiwan, Republic of China
CHEN, Chi-Kun (陳進棍)	Taiwan, Republic of China

After the Proposed Subscription, PISB shall be entitled to appoint 1 director on the board of directors of EPIC.

A summary of the latest audited financial information of EPIC for the financial year ended 31 December 2021 is set out below:-

	NT\$	RM
Revenue	252,619,534	37,392,986
Loss before tax	24,996,670	3,700,031
Loss after tax	25,350,512	3,752,407
Total assets	632,117,508	93,566,640
Total liabilities	326,290,433	48,297,823
Total equity	305,827,075	45,268,817
Gearing (times)	0.503	

(At an exchange rate of NT\$6.7558 to RM1.00)

2.2 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.

2.3 Basis of arriving at and justification for the Subscription Price

The Subscription Price of USD6,776,733 (equivalent to approximately USD0.4079 or NT\$12.5553 per share) was arrived at after arm's length negotiations between EPIC and PISB and was determined with reference to its intellectual properties and technology know-how, besides its Greater China plans that are meeting the PCB Group's business strategy's objectives. EPIC has also proposed establishing a manufacturing joint venture in China with the investment arm of a major enterprise in China for its business expansion where the Subscription Price has been factored into for such plan by EPIC.

2.4 Events prior to the Proposed Subscription

Pentamaster International Limited ("**PIL**"), a subsidiary company of PCB in which PCB holds 63.9% equity interest, has on 20th April 2022, entered into a Share Conversion Letter of Undertaking ("**SCL**") with EPIC and AHEAD to subscribe for 16,614,507 EPIC Shares. Prior to the execution of the SCL, PIL has sent EPIC a letter of loan conversion and share subscription to convert PIL's receivable from EPIC into new issued ordinary shares in EPIC as at 31 December 2021.

After the execution of the SCL, the following events have taken place among EPIC, AHEAD, PIL and PISB:

- a) AHEAD transferred to EPIC and EPIC has purchased from AHEAD certain equipment by assuming a debt of USD4,268,720.30 owing by AHEAD to PIL for equipment supplied to AHEAD;
- b) EPIC has a debt of USD2,508,013 owing to PIL for equipment supplied to EPIC. The aggregate amount of debt owing by EPIC to PIL, including the debt of AHEAD that EPIC agreed as at 6 May 2022 to be assumed by EPIC upon acceptance of such equipment, amounted to USD6,776,733 (the "**Outstanding Debt**");

- c) EPIC, PIL and PISB have executed an assignment agreement (the “**Assignment Agreement**”) whereby PIL assigned the rights to the Outstanding Debt including the right to convert the Outstanding Debt into an aggregate of 16,614,507 EPIC Shares to PISB (the “**Assignment**”) and PISB has accepted and assumed all rights to the Assignment by settling the full amount of the Outstanding Debt to PIL. EPIC has irrevocably agreed to the Assignment.

2.5 Mode of settlement of the Subscription Price

Pursuant to the terms of the SCL and the Assignment Agreement, the settlement of the Subscription Price shall be by way of set off against the Outstanding Debt owing by EPIC to PISB arising from the Assignment.

2.6 Source of funding

The Proposed Subscription will be financed through internally generated funds and proceeds raised from the offer for sale of 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 the 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.

2.7 Liabilities to be assumed

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

2.8 Additional financial commitment required

There are no additional financial commitments which PISB or the Company are expected to incur in relation to the Proposed Subscription.

3. RATIONALE AND BENEFITS OF THE PROPOSED SUBSCRIPTION

The Proposed Subscription is intended to expand PCB Group’s business through investment into technology solutions and applications that are synergistic to the Group. Particularly on the Group’s Business Strategies in its Geographical Expansion and Product and Solution Diversification in vertically integrating for its electro-optical segment.

Barring unforeseen circumstance, the Board believes that the Proposed Subscription would contribute positively to PCB’s financial performance in the medium to long term.

4. OUTLOOK AND PROSPECTS

The optoelectronics market was valued at USD 5.14 billion in 2020 and is expected to reach USD 9.83 billion by 2026, and grow at a CAGR of 10.25% over the period of 2021 to 2026. With the devices that either converting light energy to electricity and vice versa, its applications and demand cover a wide end-user market ranging from Aerospace & Defense, to Automotive, to Consumer Electronics, Information Technology, to Healthcare and Residential, Commercial and Industrial applications.

The optoelectronics market has witnessed growing consumption across various verticals as technology advancements and the growing demand for “smart” electronics with high precision and

quality fuels such demand, providing the momentum for the technology sector growth in the last few years and going forward.

With the above major trends, EPIC and its subsidiaries bold well in riding such growth with its solutions that cater in meeting the global demand needs of its products and solutions, This is particularly so with EPIC's expansion into China with its upstream and midstream capabilities where barriers of entry is high and limited local Chinese companies in these stream segments.

5. RISK FACTORS

The potential risks that may have an impact on the PCB Group, which may not be exhaustive pertaining to the Proposed Subscription, are set out below:

5.1 Non-completion of the Proposed Subscription

Under the terms of the SCL, the completion of the Proposed Subscription is subject to the satisfaction of the conditions precedent and completion terms of the SCL as set out in Section 7 of this announcement.

There is no assurance that all the conditions precedent and completion terms of the SCL will be satisfied and that the completion will occur within the stipulated timeframe. In the event any of the conditions precedent or completion terms are not satisfied or waived (in accordance with the terms of the SCL), the Proposed Subscription will not be completed.

Notwithstanding the foregoing, PISB shall endeavour to ensure that the conditions precedent and completion terms set out in the SCL are fulfilled in a timely manner to facilitate the completion of the Proposed Subscription.

5.2 Risks inherent in the manufacturing industry and technology sector

EPIC Group is principally involved in the manufacturing industry and technology sector in Taiwan. Hence the performance of PCB's investment in EPIC would then be affected by the performance and inherent business risks associated with the manufacturing industry and technology sector in Taiwan and globally.

The PCB Group will be exposed to new business risks as a result of the Proposed Subscription, such as competition risk, foreign currency risks, changes in economic, social and political conditions which may affect the manufacturing and technology sector, material supply shortages, increase in costs of labour and the performance of third-party sub-contractors, among others. Any material changes in such conditions may affect the business operations and financial performance of the EPIC Group, which in turn may affect the performance of PCB's investment in EPIC.

Nevertheless, PCB Group will seek to limit these risks by amongst others, keeping abreast of the latest development of the manufacturing industry in Taiwan, and closely monitor its investment in EPIC.

5.3 Investment risks

The potential benefits to be realised from the Proposed Subscription are dependent upon the profitability of EPIC Group's current business as well as the successful development and realization of EPIC Group's new business plan. The Proposed Subscription 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 Subscription will be realised after the completion of the Proposed Subscription.

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

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital

The Proposed Subscription will not have any effect on the share capital of PCB as the Proposed Subscription does not involve any issuance of new ordinary shares in PCB.

6.2 Earnings and earnings per share (“EPS”)

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

Purely for illustration purpose, assuming that the Proposed Subscription was completed on 1 January 2021 and using the audited financial results of PCB for the financial year ended 31 December 2021 and the audited financial results of EPIC for the financial year ended 31 December 2021, the proforma effects of the Proposed Subscription on the earnings and EPS of PCB Group are as follows:

	Audited as at 31 December 2021	After the Proposed Subscription
	RM	RM
Profit for the financial year attributable to the owners of PCB	72,910,560	71,788,590 ⁽¹⁾
No. of PCB Shares	712,317,121	712,317,121
Earnings per PCB Share (sen)	10.2357	10.0782

Note:

(1) For illustrative purposes only, PCB Group will share 29.9% of EPIC's loss for the year ended 31 December 2021 of NT\$25,350,512 (equivalent to approximately RM3,752,407) and will record share of loss of associate of RM1,121,970.

6.3 Net Assets (“NA”), NA per share and gearing

Purely for illustration purpose, assuming that the Proposed Subscription was completed on 1 January 2021 and using the audited financial results of PCB for the financial year ended 31 December 2021 and the audited financial results of EPIC for the financial year ended 31 December 2021, the proforma effects of the Proposed Subscription on the NA, NA per share and gearing based on the audited consolidated financial statements of PCB for the financial year ended 31 December 2021 are as follows:-

	Audited as at 31 December 2021 RM	After the Proposed Subscription RM
Share capital	79,303,370	79,303,370
Other reserves	(1,967,503)	(1,967,503)
Retained profits	488,418,558	487,296,588
Shareholders' equity/ NA	565,754,425	564,632,455
Non-controlling interests	229,864,463	229,864,463
Total equity	795,618,888	794,496,918
No. of Shares	712,317,121	712,317,121
NA per Share (RM)	0.7942	0.7927
Borrowings (RM)	2,564,887	2,564,887
Gearing (times)	0.003	0.003

6.4 Substantial Shareholders' shareholdings

The Proposed Subscription will not have any effect on the substantial shareholders' shareholdings in PCB.

7. APPROVALS REQUIRED

The Proposed Subscription is not subject to the approval of any governmental authorities in Malaysia or the shareholders of PCB.

The Proposed Subscription is subject to:

- i) The approval of the board of directors and shareholders of EPIC which was obtained on 30 June 2022, before the Proposed Subscription could be formalized; and
- ii) Investment approval by Kaohsiung Nanzih Technology Industrial Park in Taiwan.

8. CONDITIONALITY

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

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Subscription is expected to be completed within a period of 12 months from the SCL date.

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

None of the directors and/or major shareholders of PCB and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Subscription.

11. DIRECTORS' STATEMENT

In view of the rationale and benefits set out in paragraph 3 above, the Board considers that the terms of the SCL, Assignment and the Proposed Subscription are on normal commercial terms, fair and reasonable and in the interests of the PCB and the shareholders of the PCB as a whole.

12. HIGHEST PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Subscription pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 3.76% based on the latest audited consolidated financial statements of PCB for the financial year ended 31 December 2021.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SCL and Assignment Agreement will be made available for inspection during normal office hours from Mondays to Friday (except public holidays) at the registered office of PCB at 35, 1st

Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang for a period of three (3) month from the date of this announcement.

This announcement is dated 4th July 2022.