1. INTRODUCTION

On behalf of the Board of Directors ("**Board**") of PENTA, OSK Investment Bank Berhad ("**OSK**") wishes to announce that, on 15 October 2010, the following agreements were entered into:

(a) Real Properties Sale and Purchase Agreement between Pentamaster Technology (M) Sdn Bhd ("**PENTA Technology**"), a wholly-owned subsidiary of PENTA as the vendor and Benchmark Electronics (M) Sdn Bhd ("**Benchmark**" or the "**Purchaser**") as the purchaser ("**Real Properties SPA**") for the proposed disposal of the following for an aggregate cash consideration of RM42 million:

(i) all that piece of leasehold land known as Pajakan Negeri No. 6458, Lot No. 14819, Mukim 12, District of Barat Daya, State of Pulau Pinang measuring approximately 8,162 square metres together with an office building and a single storey factory erected thereon known as Plot 17A, Medan Bayan Lepas, Technoplex, Taman Perindustrian Bayan Lepas Fasa 4, 11900 Bayan Lepas, Pulau Pinang; and

(ii) all that piece of leasehold land known as Pajakan Negeri No. 6451, Lot No. 14837, Mukim 12, District of Barat Daya, State of Pulau Pinang measuring approximately 12,070 square metres together with a double storey factory building erected thereon, known as Plot 17B, Medan Bayan Lepas, Technoplex, Taman Perindustrian Bayan Lepas Fasa 4, 11900 Bayan Lepas, Pulau Pinang,

(collectively known as "**Properties**"); and

(b) Assets Sale and Purchase Agreement between Pentamaster Equipment Manufacturing Sdn Bhd ("**PENTA Equipment**"), a wholly-owned subsidiary of PENTA as the vendor and Benchmark as the purchaser ("**Assets SPA**") for the disposal of certain Computerised Numerical Control ("**CNC**") fabrication machinery and equipment ("**Machineries**") for a cash consideration of RM8 million.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Real Properties SPA

2.1.1 Details of the Properties

The Properties are made up of two adjoining industrial plots of land identified as Lot Nos. 14819 and 14837 ("**Land**"). Together they form a rectangular-shaped site with a total surveyed land area of 217,775 square feet.

Erected on the Land is a factory complex comprising the following:

(a) a single-storey detached factory annexed with a single-storey office with a mezzanine floor and two ancillary buildings measuring a total gross floor area of 47,315 square feet ("**Plot 17-A**"); and

(b) a two-storey detached factory building measuring a total gross floor area of 132,845 square feet ("**Plot 17-B**")

(collectively known as "**Buildings**").

Further details of the Properties are set out in the table below:

Postal address	:	Plot 17-A & 17-B, Medan Bayan Lepas, Technoplex, Taman Perindustrian Bayan Lepas, Fasa 4, 11900 Bayan Lepas, Pulau Pinang
Lot number	:	14819 and 14837, Mukim 12, Daerah Barat Daya, Pulau Pinang
Title number	:	Pajakan Negeri 6458 and 6451
Tenure	:	Lot 14819 – 60-year lease expiring 7 February 2065 Lot 14837 – 60-year lease expiring 7 June 2065
Category of land use	:	Industrial
Approximate age of the buildings	:	Plot 17-A – approximately 6 years Plot 17-B – approximately 4 years
Registered proprietor	:	PENTA Technology
Existing use	:	Manufacturing
Rental	:	A portion of the ground floor of Plot 17-A with a floor area of approximately 3,000 square feet has been rented out since 1 May 2009 ("**Demised Premises**") for a rental of RM4,500 per month/ RM1.50 per square foot
Net book value (1)	:	RM50.30 million
Market value	:	RM45.60 million
Encumbrances (2)	:	<u>Lot 14819</u> None. <u>Lot 14837</u> (i) A private caveat has been lodged by RHB Bank Berhad vide presentation no. 0799B2009004784, registered on 3 April 2009 (ii) A charge to RHB Bank Berhad vide presentation no. 0799SC2009014097, registered on 7 May 2009

Notes:

(1) Based on the latest audited accounts of PENTA for the financial year ended 31 December 2009.

(2) The private caveat will be withdrawn and the charge will be redeemed and discharged prior to the completion of the sale of the Properties to Benchmark under the Real Properties SPA.

PENTA Technology had acquired Lot 14819 and Lot 14837 on 29 October 2003 and 23 June 2004 respectively. The Buildings erected on the Land were constructed subsequent to the acquisitions and were completed in December 2004 and May 2006 for Plot 17-A and Plot 17-B respectively. The Properties, inclusive of electrical installation, were acquired and constructed at a total cost of RM53.59 million.

2.1.2 Mode of settlement of the purchase consideration for the Properties

The purchase consideration for the disposal of the Properties of RM42 million ("**Purchase Consideration for the Properties**") will be fully satisfied by way of cash payment to PENTA Technology in the manner set out below:

		Timing	Purchase Consideration (RM)
(a)	Deposit	Paid to the Purchaser's Solicitors as stakeholder upon execution of agreement and released to PENTA Technology within seven (7) business days from the fulfillment of the conditions set out in Section 2.1.3 (ii) below ("**Unconditional Date**")	4,200,000
(b)	Balance of the Purchase Consideration for the Properties less Properties Withholding Sum (1)	On or before the last day of the period of three (3) months from the Unconditional Date subject to an automatic extension of one (1) month with interest at the rate of eight percent (8%) per annum calculated on a daily basis ("**Properties Completion Date**")	33,600,000
(c)	Properties Withholding Sum	The Properties Withholding Sum shall be dealt with as set out in Section 2.1.3 (iii) below	4,200,000
			42,000,000

Note:

*(1) "**Properties Withholding Sum**" means the sum equivalent to 10% of the Purchase Consideration for the Properties.*

2.1.3 Salient features of the Real Properties SPA

The salient features of the Real Properties SPA are set out as follows:

(i) The Properties are sold with vacant possession and in substantially the same state and condition as inspected by the Purchaser prior to the execution of the Real Properties SPA, free from encumbrances but subject to the existing category of land use and conditions of title, whether express or implied, restrictions-in-interest and upon the terms and conditions hereinafter contained;

(ii) The sale and purchase of the Properties is conditional upon:

(a) the Purchaser being satisfied or being deemed satisfied with the results of a legal, financial and technical due diligence audit carried out on the Properties;

(b) PENTA Technology having applied for and obtained, at its own costs and expenses, the written approval of the relevant authorities for the transfer of the Properties to the Purchaser ("**Transfers Approvals**") and the Purchaser's solicitors having received the following:

- a copy each of the unconditional Transfers Approvals, duly certified as true copies by PENTA Technology's solicitors, Messrs Salina, Lim Kim Chuan & Co ("**Solicitors**");
- if the Transfers Approvals are granted but subject to conditions, then, with conditions acceptable to the Purchaser, duly certified as true copies by the Solicitors;

(c) (if required by the Director-General of Royal Malaysia Customs ("**DGRC**")) PENTA Technology having applied for and obtained, at its own costs and expenses, the unconditional written approval of the DGRC and if required, other relevant authorities, for the partitioning and separation of building borders ("**Building Partition**") between Plot 17-A and an adjacent building which is presently owned by PENTA Technology ("**Building Partition Approval**") and the Purchaser's solicitors having received a copy each of the Building Partition Approval and if subject to conditions, with conditions acceptable to the Purchaser, duly certified as true copies by the Solicitors provided that if the Building Partition Approval is not required, then, PENTA Technology having obtained the written confirmation of DGRC that the Building Partition Approval is not required for the Building Partition;

(d) PENTA Technology having completed the Building Partition, at its own costs and expenses, and fulfilment of all conditions prescribed under the Building Partition Approval, if any, and such completion of the Building Partition is approved by the relevant authorities;

(e) the fulfilment of the conditions precedent under the Assets SPA set out in Section 2.2.3 (ii) below;

(f) the approval of the shareholders of PENTA being obtained for the sale and transfer of the Properties to the Purchaser under the Real Properties SPA; and

(g) if necessary, the approval of other relevant authorities for the sale and purchase of the Properties being obtained;

(iii) The Properties Withholding Sum shall be dealt with as follows:

(a) the Properties Withholding Sum shall be retained by the Purchaser, during the period of three (3) months from the Properties Completion Date set out in Section 2.1.2 (b) above, or the date the Purchaser's actual taking of the delivery of vacant possession thereof, free from encumbrances ("**Properties Delivery Date**"), whichever is the later ("**Properties Post Completion Liabilities Period**"). The Properties Withholding Sum shall be utilised towards payment of costs incurred in resolving and discharging any liabilities which occur within the Properties Post Completion Liabilities Period;

(b) if no liability has occurred at the expiry of the Properties Post Completion Liabilities Period, then, the Purchaser shall release the Properties Withholding Sum, free of interest and charges whatsoever, to PENTA Technology within seven (7) business days from the expiry of the Properties Post Completion Liabilities Period;

(iv) PENTA Technology shall deliver vacant possession of the Properties, in substantially the same state and condition as inspected by the Purchaser prior to the execution of the Real Properties SPA, free from encumbrances and with the Building Partition completed and approved by the relevant authorities (if required), to the Purchaser on the Properties Completion Date, failing which interest on late delivery of vacant possession of the Properties or any part thereof shall accrue from the expiry of the Properties Completion Date till the Properties Delivery Date;

(v) The obligation of the Purchaser to proceed with the completion of the Real Properties SPA is conditional upon completion of the Assets SPA, which shall take place contemporaneously with completion of the Real Properties SPA.

2.1.4 Salient features of the Valuation Report

Knight Frank had appraised the Properties in its report dated 15 October 2010 and the Properties were valued using the cost method. This approach considers the possibility that, as a substitute for the purchase of a given property, one could construct another property that is either a replica of the original or one that could furnish equal utility.

Knight Frank is of the opinion that the present market value of the 60-year leasehold interest (with an unexpired term of about 55 years as at the date of the valuation) in the Properties, with certificates of fitness for occupation issued and free of all encumbrance, including the existing charge to RHB Bank Berhad for Lot 14837, good, marketable and registrable is RM45.60 million.

Knight Frank had also used the investment method of valuation as a check. This approach considers income and expense data relating to the Properties being valued and estimates value through a capitalisation process. The valuation of the Properties pursuant to the investment method is RM44.80 million.

2.2 Assets SPA

2.2.1 Details of the Machineries

The details of the Machineries to be disposed off by PENTA, sorted by categories, are set out as follows:

Description	Quantity
(a) Machineries	
Auto Lathe	3
CNC	17
Manual - Drilling	1
Manual - EDM	3
Manual - Grinding	7
Manual - Milling	8
Manual - Packing	2
Manual - Sawing	4
Manual - Welding	4
Measurement equipment	7
Power Supply Accessories	7
Others	16
	79
(b) Other related tools	
Cutter Tools	
SMD Punching Tools	

Based on the audited consolidated financial statements of PENTA as at 31 December 2009, the net book value of the Machineries is RM10.78 million. The Machineries were purchased during the years between 2007 and 2009 for a total cost of RM18.60 million.

2.2.2 Mode of settlement of the purchase consideration for the Machineries

The purchase consideration for the disposal of the Machineries of RM8 million ("**Purchase Consideration for the Machineries**") will be fully satisfied by way of cash payment to PENTA Equipment in the manner set out below:

		Timing	Purchase Consideration (RM)
(a)	Deposit	Paid to the Purchaser's Solicitors as stakeholder upon execution of agreement and released to PENTA Equipment on or before the Properties Completion Date under the Real Properties SPA ("**Machineries Completion Date**")	800,000
(b)	Balance of the Purchase Consideration for Machineries less Machineries Withholding Sum [(1)]	On Machineries Completion Date.	6,400,000
(c)	Machineries Withholding Sum	The Machineries Withholding Sum shall be dealt with as set out in Section 2.2.3 (iii) below	800,000
			8,000,000

Note:

*(1) "**Machineries Withholding Sum**" means the sum equivalent to 10% of the Purchase Consideration for the Machineries.*

2.2.3 Salient Features of the Assets SPA

The salient features of the Assets SPA are set out as follows:

(i) The obligation of the Purchaser to proceed with the completion of the Assets SPA is conditional upon completion of the sale and purchase of the Properties under the Real Properties SPA, which shall take place contemporaneously with the completion of the Assets SPA;

(ii) The sale and purchase of the Machineries is conditional upon the following:

(a) the persons to be selected by the Purchaser from the list of employees named in Appendix II of the Assets SPA (who are employed by PENTA Equipment as at the date of the Assets SPA) and offered employment by the Purchaser, on the Machineries Completion Date set out in Section 2.2.2 (b) above ("**Required Employees**") have each agreed to be employed by the Purchaser with effect from the Machineries Completion Date based on the new terms offered by the Purchaser, unless otherwise rejected by the Required Employees;

(b) the Purchaser being satisfied or being deemed satisfied with the results of a legal, financial and technical due diligence audited carried out on the Machineries;

(c) the fulfilment of the conditions precedent under the Real Properties SPA set out in Section 2.1.3 (i) above;

(d) the approval of the shareholders of PENTA being obtained for the sale and transfer of the Machineries to the Purchaser under the Assets SPA; and

(e) if necessary, the approval of other relevant authorities for the sale and purchase of the Machineries being obtained.

(iii) The Machineries Withholding Sum shall be dealt with as follows:

(a) the Machineries Withholding Sum shall be retained by the Purchaser, during the period of three (3) months from the Machineries Completion Date or Properties Delivery Date ("**Machineries Post Completion Liabilities Period**"). The Machineries Withholding Sum shall be utilised towards payment of costs incurred in resolving and discharging any liabilities which occur within the Machineries Post Completion Liabilities Period;

(b) if no liability has occurred at the expiry of the Machineries Post Completion Liabilities Period, then, the Purchaser shall release the Machineries Withholding Sum, free of interest and charges whatsoever, to PENTA Equipment within seven (7) business days from the expiry of the Machineries Post Completion Liabilities Period.

2.3 Basis of determining and justification for the purchase consideration

The total purchase consideration of RM50 million for the Proposed Disposal was arrived at on a willing buyer-willing seller basis after taking into consideration, amongst others, the valuation of the Properties at RM45.60 million carried out by Knight Frank.

The Purchase Consideration for the Properties amounting to RM42 million represents a discount of RM3.60 million or 7.89% from the market value of the Properties as appraised by Knight Frank in its report dated 15 October 2010.

Assuming the Proposed Disposal will be completed by April 2011, the Purchase Consideration for the Machineries amounting to RM8 million represents a discount of RM0.34 million or 4.07% from the estimated net book value ("**NBV**") as at 30 April 2011 of RM8.34 million.

Assuming the Proposed Disposal will be completed by April 2011, PENTA is expected to incur a loss on disposal of approximately RM7.29 million upon completion of the Proposed Disposal, based on the estimated NBV of the Properties and Machineries as at 30 April 2011 of RM48.95 million and 8.34 million respectively.

Despite the expected loss on disposal, the following factors should be taken into consideration:

- only Plot 17-A is presently occupied subsequent to the consolidation of certain business operations in the Company in 2009; and
- as mentioned above, the Machineries are sold at a mark-down of only RM0.34 million of the estimated NBV as at 30 April 2011.

Further, PENTA has a collateralised loan obligation ("**CLO**"), which will be due in October 2011, as well as other bank borrowings and intends to use the sale proceeds from the Proposed Disposal to partially repay the amounts outstanding.

2.4 Utilisation of sale proceeds

PENTA intends to use the sale proceeds of RM50 million in the following manner:

	(RM'000)	Estimated time frame for utilisation
Repayment of bank borrowings		
▪ RHB Bank Berhad (1)	11,000	Within one (1) year from the signing of the Real Properties SPA and the Assets SPA
▪ CLO	25,500	Within one (1) year from the completion of the Proposed Disposal
Rental for Perlis plant (2)	1,200	Within one (1) year from the completion of the Proposed Disposal
Working capital	(3) 12,300	Within two (2) years from the completion of the Proposed Disposal
	50,000	

Notes:

(1) To redeem and discharge the charge with RHB Bank Berhad.

(2) PENTA has plans to relocate a portion of its manufacturing activities to Perlis as the Perlis government has offered the Company a factory building sitting on a 10.8 acre land with a built-up area of approximately 200,000 square feet at a competitive rental rate of RM1.20 per square foot.

(3) Including expenses incurred in relation to the Proposed Disposal.

2.5 Liabilities to be assumed by the Purchaser

Benchmark will not be assuming any liability, including contingent liabilities and guarantees, pursuant to the Proposed Disposal.

3. INFORMATION ON THE PURCHASER

Benchmark is a company incorporated in Malaysia with its registered address at Suite 18.01, 18th Floor, MWE Plaza, No. 8, Lebuh Farquhar, 10200 Penang and having a principal place of business place of business at Free Industrial Zone, Phase 1, Bayan Lepas, 11900 Penang. Benchmark is a fully owned subsidiary of Benchmark Electronics, Inc ("**Benchmark Electronics**").

Benchmark Electronics is in the business of manufacturing electronics and providing services to original equipment manufacturers (OEMs) of telecommunication equipment, computers and related products for business enterprises, industrial control equipment, testing and instrumentation products and medical devices. The services that it provides are commonly referred to as electronics manufacturing services (EMS). Benchmark Electronics offers its customers comprehensive and integrated design and manufacturing services, from initial product design to volume production and direct order fulfilment. It provides specialised engineering services including product design, printed circuit board layout, prototyping and test development. Benchmark Electronics serves the global market with 23 locations in 10 countries.

The Board of Directors of Benchmark consists of the following:

1. Balamurugan A/L Sinnasamy
2. Chang Poh Hin
3. Cary Tze Fu
4. Gayla Joyce Delly
5. Kenneth Scott Barrow

4. RATIONALE OF THE PROPOSED DISPOSAL

PENTA is undertaking the Proposed Disposal primarily to reduce its CLO, which will be due in October 2011, as well as other bank borrowings. The sale proceeds will be utilised to partially repay the amounts outstanding and subsequently reduce PENTA's gearing. Such repayment is expected to result in interest savings of approximately RM2 million.

In addition to the above, the Proposed Disposal is also undertaken for the following reasons:

(i) to increase PENTA's working capital in order to cater for foreseeable expansion in its projects next year, particularly the Glove Unique Reprocessing Unit (GURU) and Radio-Frequency Identification Device (RFID) and other projects in the semiconductor industry;

(ii) PENTA intends to focus on its core competencies, which are the design and manufacturing of standard equipment;

(iii) the management of PENTA is of the opinion that outsourcing is more cost competitive and effective due to the cyclical nature of the semiconductor industry, and intends to change its current business model towards this direction. With this model, PENTA will be able to benefit from savings from various areas including:

  (a) inventory holding costs and finance costs as PENTA will not need to carry inventory;

  (b) wastage and rework costs as manufacturing activity will be reduced; and

  (c) fixed overhead costs as there will be reduction in manufacturing space and human capital.

Further, PENTA has plans to relocate a portion of its manufacturing activities to Perlis, due to the following:

(i) the Perlis government has offered the Company a factory building sitting on a 10.8 acre land with a built-up area of approximately 200,000 square feet at a competitive rental rate of RM1.20 per square foot;

(ii) PENTA would like to tap on the human capital available in Perlis; and

(iii) the expected savings of 30% in overhead costs arising from the relocation.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of PENTA as the total purchase consideration for the Proposed Disposal shall be satisfied in cash.

5.2 Net assets per share

For illustrative purposes only, the Proposed Disposal is expected to have the following effects on the net assets ("**NA**") of PENTA as at 31 December 2009:

	Audited as at 31 December 2009 (RM'000)	After the Proposed Disposal (RM'000)
Share capital	66,622	66,622
Share premium	4,865	4,865
Exchange fluctuation reserve	116	116
Retained profits	5,505	(1) (1,782)
NA	77,108	69,821
No. of shares in issue ('000)	133,243	133,243
NA per share (RM)	**0.58**	**0.52**

Note:

(1) Due to the loss of RM7.29 million arising from the Proposed Disposal.

5.3 Earnings per share

For illustrative purposes only, earnings per share will be reduced by 5.47 sen based on estimated loss on disposal of RM7.29 million and the latest issued and paid-up share capital as at 14 October 2010 of 133,243,050 ordinary shares.

5.4 Gearing

For illustrative purposes only, the Proposed Disposal is expected to have the following effects on the gearing of PENTA as at 31 December 2009:

	Audited as at 31 December 2009 (RM'000)	After the Proposed Disposal (RM'000)
Borrowings	65,997	29,497
NA	77,108	69,821
Gearing	**0.86**	**0.42**

6. APPROVALS REQUIRED

The Proposed Disposal is subject to the following approvals:

(a) the shareholders of PENTA at an extraordinary general meeting to be convened; and

(b) any other relevant authorities, if necessary.

In addition to the above, the proposed disposal of the Properties also requires the approvals of the Penang Development Corporation ("**PDC**") and Penang State Authority for the transfer of the Properties. The application to the PDC is expected to be submitted within seven (7) business days from the date of the Real Properties SPA, while the application to the Penang State Authority can only be submitted after the approval of the PDC has been obtained.

As at the date of this Announcement, PENTA has not obtained any of the above-mentioned approvals in respect of the Proposed Disposal.

The Proposed Disposal is not conditional upon any other corporate exercise undertaken or to be undertaken by PENTA.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the directors, major shareholders of PENTA and/or persons connected to them has any interest, direct or indirect, in the Proposed Disposal.

8. STATEMENT BY DIRECTORS

The Board, having taken into consideration all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company and its shareholders.

9. PRINCIPAL ADVISER

OSK Investment Bank Berhad has been appointed as the Principal Adviser to PENTA in respect of the Proposed Disposal.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to fulfilment of all the condition precedents as set out in the SPA, the Board expects the Proposed Disposal to be completed by April 2011.

11. HIGHEST PERCENTAGE RATIO APPLICABLE

Pursuant to Rule 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Disposal is the aggregate original cost of investment compared with the audited NA of PENTA as at 31 December 2009, amounting to 93.62%.

12. DOCUMENTS FOR INSPECTION

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

(a) the Real Properties SPA signed between PENTA Technology and Benchmark dated 15 October 2010 in respect of the Proposed Disposal of the Properties;

(b) the Assets SPA signed between PENTA Equipment and Benchmark dated 15 October 2010 in respect of the Proposed Disposal of the Machineries; and

(c) the Valuation Report dated 15 October 2010, prepared by the Valuer in respect of the valuation of the Properties pursuant to the Proposed Disposal.

This announcement is dated 15 October 2010.