

## PENTAMASTER CORPORATION BERHAD

### RECURRENT RELATED PARTY TRANSACTION ENTERED INTO BY ORIGO VENTURES (M) SDN BHD A WHOLLY OWNED SUBSIDIARY COMPANY OF PENTAMASTER CORPORATION BERHAD

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#### 1. INTRODUCTION

Pursuant to paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of Pentamaster Corporation Berhad (“PMCB” or the “Company”) wishes to announce that Origo Ventures (M) Sdn Bhd (“OVSB”), a wholly owned subsidiary company of PMCB, has on 30 December 2015 entered into a recurrent related party transaction in respect of a progress billing made to a related party, Maarij Development Sdn Bhd (“MDSB”), in the ordinary course of business (“RRPT”).

#### 2. INFORMATION ON OVSB, MDSB AND THE RECURRENT RELATED PARTY TRANSACTION

##### 2.1 Information on OVSB

OVSB was incorporated in Malaysia under the Companies Act, 1965 (“Act”) on 8 August 2014. On 28 September 2015 PMCB entered into an agreement to acquire the entire equity interest in OVSB and the acquisition was completed on 30 September 2015. The current authorised share capital of OVSB is RM400,000.00 comprising 400,000 shares of RM1.00 each, of which 2 shares have been issued and fully paid-up.

OVSB is principally involved in property project management activities.

##### 2.2 Information on MDSB

MDSB was incorporated in Malaysia on 30 March 2011 under the Act. The authorized share capital of MDSB is currently RM1,000,000.00 consisting of 1,000,000 ordinary shares of RM1.00 each and the paid up capital is RM1,000,000.00 consisting of 1,000,000 ordinary shares of RM1.00 each fully paid-up.

The principal activity of MDSB is property development.

As at the date of this announcement, the Directors of MDSB and their respective shareholdings in MDSB are set out below:

	Nationality	Direct		Indirect	
		No. of MDSB Shares	%	No. of MDSB Shares	%
Directors					
Khairuddin Bin Ibrahim	Malaysian	300,000	30.00		
Ahmad Fadhli Bin Zainuddin	Malaysian	210,000	21.00		
Tan Boon Pock	Malaysian	-	-	490,000	49.00
Chuah Chong Boon	Malaysian	-	-	490,000	49.00

The shareholders of MDSB and their respective shareholdings in MDSB are set out below:

Shareholders	Nationality / Country of incorporation	Direct		Indirect	
		No. of MDSB Shares	%	No. of MDSB Shares	%
Khairuddin Bin Ibrahim	Malaysian	300,000	30.00	-	-
Ahmad Fadhli Bin Zainuddin	Malaysian	210,000	21.00	-	-
Great Vision Development Sdn Bhd	Malaysia	490,000	49.00	-	-

## 2.4 Details of the recurrent related party transaction

On 15 April 2015, OVSB was awarded a Project Finance and Management Contract by MDSB for the project management of a mixed development project in the new township of Tunjong held under title no 11792, Lot 13423, Mukim Kota, Jajahan Kota Bharu, Negeri Kelantan Darul Naim, with an approximate size of nine point eight eight (9.88) acres (“**Contract**”). The Gross Development Value for the development is approximately RM164 million and OVSB was awarded the project management based on the following remuneration of:

- (i) RM10 million payable progressively based on stage of work done of the development; and
- (ii) balance thereof upon practical completion of the development.

Total remuneration for the project management agreement shall equate to sixty percentum (60%) of the net profit generated from the development.

Pursuant to the Contract, OVSB has on 30 December 2015 billed MDSB RM2.83 million being progress billing for services performed based upon completion of stages of work done (“**Progress Billing**”). As the Progress Billing involves the interest of a related party as explained in Section 6 below, it is deemed to be a recurrent related party transaction.

## 2.5 Rationale for the RRPT

The Progress Billing was for services performed and billed in the normal course of business in accordance with the terms of the Contract which was entered into prior to the acquisition of OVSB by PMCB.

## 3. FINANCIAL EFFECTS OF THE RRPT

### 3.1 Share capital and substantial shareholders’ shareholdings

The RRPT does not have any effect on the issued and paid-up share capital of PMCB or the shareholdings of its substantial shareholders.

### 3.2 Earnings and earnings per Share (“EPS”)

The RRPT is expected to contribute positively to the earnings and EPS of PMCB Group for the financial year ending 31 December 2015 of which the actual amount of the profit contribution from the RRPT cannot be determined at this juncture.

### 3.3 Net Assets (“NA”) and gearing

The RRPT is not expected to have any material effect on the NA and gearing of PMCB for the financial year ending 31 December 2015.

#### **4. PERCENTAGE RATIOS**

The highest percentage ratio applicable to the RRPT pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 4.50% based on the latest audited consolidated financial statements of PMCB for the FYE 2014.

#### **5. APPROVALS REQUIRED**

The RRPT is not subject to approval of PMCB's shareholders or any other government authorities.

As the Contract which gave rise to the RRPT was entered into between OVSB and MDSB before OVSB was acquired by PMCB, there was no prior approval of PMCB's shareholders for the RRPT. However, pursuant to the Contract, it is expected that OVSB will continue to bill MDSB for services performed in future. PMCB intends to seek shareholders' mandate for future recurrent related party transactions relating to billings pursuant to the Contract at an appropriate time.

#### **6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Chuah Chong Ewe, a Director and Chief Executive Officer ("CEO") of PMCB, is deemed to be interested in the RRPT transaction as Chuah Chong Boon, a Director of MDSB, is his brother.

Chuah Chong Ewe has 4.99% interest in the ordinary shares of PMCB, comprising of 6,662,151 ordinary shares of RM0.50 each. He has no interest in the shareholding of MDSB.

Chuah Chong Boon's interest in the shares of MDSB are as set out in Section 2.2 above. He has no interest in the shareholding of PMCB.

Save as disclosed above, none of the other Directors and/or Major Shareholders of PMCB and/or persons connected with them, have any interest, direct or indirect, in the RRPT.

#### **7. TOTAL AMOUNT TRANSACTED WITH THE RELATED PARTY WITHIN THE PRECEDING 12 MONTHS**

There has been no transaction between OVSB and MDSB within the preceding 12 months.

#### **8. STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee having considered all aspects of the RRPT is of the view that the transaction is:-

- i) in the best interest of PMCB;
- ii) fair, reasonable and on normal commercial terms; and
- iii) not detrimental to the interest of the minority shareholders.

In forming its views, the Audit Committee of PMCB has taken into consideration, amongst others, the following:-

- i) The billings from OVSB to MDSB will contribute to the income stream and earnings of PMCB Group and was one of the reasons for the acquisition of OVSB by PMCB;
- ii) The Contract which gave rise to the RRPT transaction was entered into between unrelated parties on normal commercial terms at a time prior to the acquisition of OVSB by PMCB;
- iii) The Contract which gave rise to the RRPT transaction are on terms that are not more favourable to the Related Party; and
- iv) PMCB Group has in place adequate procedures and processes to monitor, track and identify Recurrent Related Party Transactions in a timely and orderly manner.

## **9. DIRECTORS' STATEMENTS**

The Board of Directors of PMCB, taking into consideration all aspects of the RRPT, is of the opinion that the RRPT is in the best interest of PMCB Group.

This announcement is dated 30 December 2015.