

## **1 INTRODUCTION**

The Board of Directors of Pentamaster Corporation Berhad (“PMCB” or “Seller”) wishes to announce that PMCB had on 1 July 2009 entered into an equity transfer agreement (“ETA”) with Elecon Systems Engineering Limited (“Elecon” or “Purchaser”), a company duly incorporated under the laws of Hong Kong Special Administrative Region of the People’s Republic of China, for the Disposal by PMCB of its entire 100% equity interest in a foreign subsidiary, Pentamaster Automation Engineering (Shanghai) Co. Ltd., (“PMAE”) for a total cash consideration of RMB 1.0 million (“the Disposal”).

## **2 DETAILS OF THE DISPOSAL**

### **2.1 Information on PMAE**

PMAE, a wholly owned foreign subsidiary of PMCB, was incorporated in Shanghai on 19 December 2003 under the laws of the People’s Republic of China. PMAE commenced operations in July 2004.

PMAE provides engineering and material handling solutions to Mainland Chinese market. PMAE focuses its solutions for the automotive related industries, general industries, mobile phone, food and cigarette industries.

A summary of the key financial information on PMAE is set out in Table 1.

### **2.2 Basis of Arriving at the Disposal Consideration**

The cash consideration of RMB 1.0 million (approximately equivalent to RM 515,000) was arrived at based on a willing buyer-willing seller basis after taking into consideration, inter-alia -

- (i) the net tangible assets of PMAE as at 31 May 2009 of RMB1,666,528
- (ii) the losses suffered by PMAE in the previous financial year and the current losses suffered which is anticipated to persist
- (iii) the significant cost involved should PMCB proceed to wind up the company instead of disposing it.

### **2.3 Cost of Investment**

The date and original cost of investment by PMCB in PMAE are as follows:

Date of investment	Cost of investment USD	Cost of investment RM
12 April 2004	150,000	570,000

## **2.4 Information on Purchaser**

Elecon is a company incorporated in Hong Kong. The company provides customized system engineering solutions and services to the manufacturing sectors in Asia Pacific.

## **2.5 Liabilities to be Assumed by Purchaser**

The equity interests were disposed of free from all encumbrances, charge or lien whatsoever and with all rights and benefits attaching thereto and accruing thereon.

## **2.6 Utilization of Proceeds**

The net proceeds arising from the Disposal will be utilized for the working capital requirements of PMCB and its subsidiaries.

## **2.7 Salient Terms of the ETA**

The salient terms of the ETA are as follows -

The completion of the sale and purchase of the Sale Shares is subject to the following:

- (a) The Purchaser shall, within a reasonable period, provide PMCB with all its internal approvals and relevant certificates and documents which are necessary for the completion of the equity interest transfer.
- (b) PMCB shall procure PMAE to complete all registration procedures with the State Administration of Industry and Commerce relating to the transfer in a timely manner.
- (c) Only after the Purchaser pays the transfer price according to the stipulated time limit and the updated business license of PMAE is issued by the registration authority, shall PMCB provide the Purchaser with the updated approval certificate, business license and related documents and materials of PMAE in a timely manner.
- (d) The Seller and the Purchaser agree a price of RMB 1 million for transfer of the Equity Interests. Both parties agree that, the Purchaser shall pay the Seller 50% of the Transfer Price, i.e. RMB 500,000 within five (5) working days after the agreement is duly signed by their respective legal representative or authorized representative. Within five (5) working days after issuance of the update business license of the company, the Purchaser shall pay the remaining 50% of the transfer price, i.e. RMB 500,000, to the Seller.

### **3 RATIONALE FOR THE DISPOSAL**

PMCB is an investment holding and management services company with subsidiaries involved in the design, manufacturing and sales of automation systems and equipment, intelligent sortation systems, test and measurement systems, information communication technology systems, and OEM and ODM equipment manufacturing services for customers in the semiconductor, computer, automotive, electrical & electronics and manufacturing industries.

The Disposal is in line with PMCB's current direction to streamline its business with more focus placed on its core competencies. Due to the current unfavourable business condition and the intensity of the competition faced, the business prospect of the company in China is anticipated to be more challenging in the period to come. The Disposal will enable PMCB to divest the loss making subsidiary and instead, channel the company resources into other business activities that are anticipated to be more promising.

### **4 FINANCIAL EFFECTS OF THE DISPOSAL**

#### **4.1 Share Capital and Substantial Shareholders' Shareholding**

The Disposal will not have any effect on the share capital and substantial shareholders' shareholding of PMCB.

#### **4.2 Earnings**

The Disposal is not expected to have any material effect on the consolidated earnings of PMCB for the financial year ending 31 December 2009.

#### **4.3 Net Assets**

The Disposal is not expected to have any material effect on the consolidated net asset value of PMCB for the financial year ending 31 December 2009.

#### **4.4 Gearing**

As the net proceeds from the Disposal is expected to be utilized for working capital requirements of PMCB Group, the Disposal is not expected to have any significant effect on the gearing of PMCB Group.

#### **5 APPROVALS REQUIRED**

The Disposal is subject to the approval of the relevant governmental authorities in the People's Republic of China.

#### **6 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors and/or major shareholders of PMCB and/or persons connected with them have any interest, direct or indirect, in the Disposal.

#### **7 STATEMENT BY DIRECTORS**

The Board of Directors of PMCB is of the opinion that the Disposal is in the best interest of PMCB.

#### **8 COMPLIANCE WITH SC GUIDELINES**

The Board of Directors of PMCB confirms that the Disposal does not depart from the Securities Commission's Policies and Guidelines on Issue/Offer of Securities.

#### **9 TIME FRAME FOR COMPLETION**

The Disposal is expected to be completed within 3 months from the date of the agreement.

## **10 DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the ETA is available for inspection during normal office hours from Mondays to Fridays (excluding public holidays) at the registered office of PMCB at 35, 1<sup>st</sup> Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang, for a period of 2 weeks from the date of this announcement.

This announcement is dated 9 July 2009.

**Table 1**

Key financial information on PMAE	FY2008 (audited)	FY2008 (audited)	For the period ended 31 May 2009 (unaudited)	For the period ended 31 May 2009 (unaudited)
	RMB	RM	RMB	RM
Revenue	6,814,678	3,473,510	2,349,008	1,210,205
(Loss) before taxation	(232,489)	(118,502)	(666,020)	(343,132)
Taxation	-	-	-	-
(Loss) after taxation	(232,489)	(118,502)	(666,020)	(343,132)
Total assets	4,950,150	2,523,141	4,148,309	2,137,202
Total Liabilities	2,617,603	1,334,218	2,481,781	1,278,609
Share capital	1,241,568	570,000	1,241,568	570,000
Shareholders' funds	2,332,547	1,188,922	1,666,528	858,592