

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

PROPOSED ACQUISITION OF LAND BY PENTAMASTER EQUIPMENT MANUFACTURING SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF PENTAMASTER INTERNATIONAL LIMITED, WHICH IN TURN IS A SUBSIDIARY OF PCB

1. INTRODUCTION

The Board of Directors of Pentamaster Corporation Berhad (“PCB” or “the Company”) is pleased to announce that Pentamaster Equipment Manufacturing Sdn Bhd (“PEMSB” or the “Purchaser”), a wholly-owned subsidiary of Pentamaster International Limited (“PIL”), which in turn is a subsidiary of PCB in which PCB holds 63.46% equity interest, has on 3 November 2021 entered into a sale and purchase agreement (“SPA”) with the Penang Development Corporation (“PDC” or the “Vendor”) for the proposed acquisition of a piece of leasehold land as detailed in Paragraph 3.1 (“the Land”) for a total cash consideration of Ringgit Malaysia Twenty Eight Million Two Hundred Seventy Nine Thousand Three Hundred and Four and Sen Thirty Five (RM28,279,304.35) (the “Purchase Price”) (hereinafter referred to as “the Proposed Acquisition”).

2. BACKGROUND INFORMATION

2.1 INFORMATION ON PEMS B

PEMSB was incorporated in Malaysia on 2 October 2006 under the Companies Act, 1965. The share capital of PEMS B is RM13,160,000.00 consisting of 13,160,000 ordinary shares, all which are held by PIL.

Its principal activity is equipment design and manufacturing services and manufacturing of high precision machine parts.

2.2 INFORMATION ON PDC

PDC is a body corporate incorporated under the Penang Development Corporation Enactment, 1971 and having its office at Bangunan Tun Dr Lim Chong Eu, No 1 Pesiaran Mahsuri, Bandar Bayan Baru, 11909 Bayan Lepas, Penang.

PDC was established with the objectives of spearheading the socio-economic growth, creating employment and improving the quality of life of the people of Penang towards making Penang a better place for all through sustainable socio-economic development.

For further details on PDC please refer to its official website
<https://www.pdc.gov.my/index.php/en/about-us/corporate-profile>

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 Information on the Land

The Land is a piece of leasehold land described as all that plot of land known as Plot 1(b) measuring approximately 11.8037 acres (about 4.7768 hectare) as marked on the plan in the SPA which forms part of the master land located in the industrial park known as Batu Kawan Industrial Park, Penang (“Master Land”) established by the Vendor with a tenure of sixty (60) years expiring on 20 October 2069.

The Vendor has been approached by the Purchaser and other purchasers (the "Other Purchasers") who are desirous of being part of the key players in the industrial development in Penang and who have identified the Master Land to invest and to carry out or to expand their business operations in Penang. Towards this end, the Purchaser and the Other Purchasers have respectively expressed their intention whereby each of them shall purchase a portion of the Master Land.

The Master Land is presently owned by and registered in the name of Buildcast Sdn Bhd (formerly known as Enrich Front Sdn Bhd (Registration No. 200701007067 (765068-K) (the "Owner"). At the request of the Purchaser and the Other Purchasers, the Vendor has agreed to buy back the Master Land (the "Buy Back") from the Owner for the purpose of sub-selling the Master Land to the Purchaser and the Other Purchasers, and has in relation thereto entered into an agreement with the Owner (the "Buy Back SPA") for the sale and purchase of the Master Land.

Pursuant to the terms of the Buy Back SPA, the Owner will after full payment of the purchase price of the Master Land, surrender the Master Land to the State Authority at the request of the Vendor or transfer the Master Land in accordance with the provisions of the National Land Code (the "NLC") to the Vendor, and the Vendor will thereafter apply to the relevant authorities for the alienation/ re-alienation of the land so surrendered and subdivision thereof, all in accordance with the provisions of the NLC.

For avoidance of doubt, PEMSB is not a party to the Buy Back SPA or the agreements between the Vendor and the Other Purchasers.

3.2 Basis of Purchase Price

The Purchase Prices was arrived on a "willing buyer and willing seller" basis at a rate of RM55.00 per square foot. The Company has carried out an internal comparison and determined that the price per square foot of the Land was at a similar rate as that currently sold by PDC to other companies for land located at the same industrial park. No formal valuation had been carried out prior to the Proposed Acquisition.

3.3 Source of funding

The Proposed Acquisition is expected to be financed through the Company's internally generated funds.

3.4 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees to be assumed by the Company or PEMSB arising from the Proposed Acquisition.

4 SALIENT TERMS AND CONDITIONS OF THE SPA

4.1 Purchase Price and Payment

4.1.1 The Purchaser shall pay the Purchase Price at the following time and in the following manner:-

(a) First payment

The first payment being a sum equivalent to fifty percent (50%) of the Purchase Price amounting to Ringgit Malaysia Fourteen Million One Hundred Thirty Nine Thousand Six Hundred Fifty Two and Sen Eighteen (RM14,139,652.18) (comprising of the deposit) (the "First Payment") shall be paid by the Purchaser to the Vendor upon the Purchaser's execution of the SPA.

- (b) **Balance Purchase Price**
The remaining sum equivalent to fifty percent (50%) of the Purchase Price amounting to Ringgit Malaysia Fourteen Million One Hundred Thirty Nine Thousand Six Hundred Fifty Two and Sen Eighteen (RM14,139,652.18) (the "Balance Purchase Price") shall be paid by the Purchaser to the Vendor within one (1) month from the date of the SPA (the "Completion Period") subject to paragraph 4.1.2 below.

4.1.2 In the event that the Purchaser is unable to pay the Balance Purchase Price by the Completion Date, the Purchaser shall upon having:-

- (a) made a written request not later than seven (7) days prior to the Completion Date; and
- (b) paid the interest to be computed at the rate at eight percent (8%) per annum calculated on a 365 days year basis ("the Interest") on the Balance Purchase Price or the outstanding thereof for the whole of the extended period (the "Late Interest")

to the Vendor, be granted an extension of time of one (1) month from the expiry of the Completion Period (the "Extended Period") to pay the Balance Purchase Price or any outstanding thereof to the Vendor provided that, notwithstanding the foregoing provision, in the event that the Purchaser pays the Balance Purchase Price or the outstanding thereof before the expiry of the Extended Period, any part of the Late Interest which is not accrued will be refunded by the Vendor to the Purchaser without any interest, cost or compensation within thirty (30) days after the date of receipt by the Vendor of the Balance Purchase Price or the outstanding thereof in full. For avoidance of doubt, save and except in accordance with the foregoing provision, the Purchaser is not entitled to any other or further extended time period to pay the Balance Purchase Price.

4.1.3 The date on which the Vendor has received the Purchase Price in full and the Late Interest, if any, from the Purchase within the Completion Period or the Extended Period, as the case may be, shall be referred as the Completion.

4.2 Subject to Buy Back and sub-sale to Other Purchasers

4.2.1 Notwithstanding any provisions to the contrary in the SPA or at law or in equity, the Purchaser expressly acknowledges and irrevocably agrees that the consummation of the transaction as contemplated in the SPA is conditional upon and subject to:

- (i) the completion of the sub-sale of the other parts of the Master Land to the Other Purchasers under and pursuant to the Other Purchasers' SPA (the "Sub-Sale") in that the purchase price due thereunder are fully paid by the Other Purchasers to the Vendor within the time as stipulated in the Other Purchasers' SPA; and
- (ii) the completion of the Buy Back of the Master Land by the Vendor from the Owner in accordance with the terms and conditions of the Buy Back SPA,

failing any of the above, the Vendor shall be entitled to give written notice to the Purchaser to terminate the SPA notwithstanding that the Purchase Price may have been paid in full by the Purchaser to the Vendor, and upon termination, the Vendor shall refund all the monies paid by the Purchaser to the Vendor pursuant to the terms of the SPA within thirty (30) days from the date of the Vendor's written notice and thereafter, the parties expressly and irrevocably agree that neither party shall have any claims whatsoever against the other party howsoever, and the Vendor shall be at liberty to sell or otherwise deal with the Land in such manner and to such persons and at such price as the Vendor shall deem fit.

4.3 Construction and operation of factory on the Land

- 4.3.1 Notwithstanding the scope of the implied conditions in Section 117 of the NLC, as soon as possible after possession of the Property has been delivered to the Purchaser and in any case not later than two (2) years after the Purchaser shall have been registered as proprietor of the Land or within such further term, if any, as may be approved by the relevant authorities, the Purchaser shall at its own cost and expense erect and complete on the Land factory building or buildings for industrial purpose in accordance with the plans approved by the relevant authorities and shall commence its industrial operations thereon.
- 4.3.2 The Purchaser shall not erect or otherwise construct on the Land any building or structure otherwise than as aforesaid in Paragraph 4.3.1 without the prior written consent of the Vendor and the approval of all relevant authorities.

4.4 Dealings with the Land

- 4.4.1 The Purchaser shall not sell, transfer, charge, lease, sublease, let or otherwise in any manner encumber, deal with or dispose of the Land or assign or otherwise dispose of the benefit of or under the SPA without the prior written consent of the Vendor, which said consent may be given or refused at the absolute discretion of the Vendor and if the consent is granted, the Vendor may at its sole discretion impose any terms or conditions as it deems fit, including (without limitation) the condition for payment by the Purchaser of any sum of moneys (howsoever described) as the Vendor may in its absolute discretion determine.
- 4.4.2 The Purchaser shall not sub-divide or partition the Land or cause the Land to be amalgamated with any other land without the prior written consent of the Vendor, which said consent may be given or refused at the absolute discretion of the Vendor and if the consent is granted, the Vendor may at its sole discretion impose any terms or conditions as it deems fit, including (without limitation) the condition for payment by the Purchaser of any sum of money (howsoever described) as the Vendor may in its absolute discretion determine, as such term or condition.
- 4.4.3 The Purchaser may, subject to paragraph 4.4.1 above, encumber, charge, assign or otherwise deal with the Land provided that it is for the purpose of securing loan or other credit facilities for the Purchaser only and not for any other person, and provided further that such encumbrance, charge, assignment or other dealings is/are made in favour of a bank or financial institution duly licensed under the laws of Malaysia.

4.5 Right of First Refusal

- 4.5.1 For the same consideration stated in the SPA and without prejudice to any of the Vendor's rights contained in paragraph 4.4 above, the Purchaser shall not sell, agree to sell, offer to sell or otherwise dispose of the Land to any person other than the Vendor without first offering (in writing) to sell the Land to the Vendor at a price to be determined as follows (the "Agreed Price"):-
- (a) if such offer is made at any time prior to the issuance of the certificate of completion and compliance for the factory building or buildings erected on the Land, at a price equivalent to eighty percent (80%) of the Purchase Price;
 - (b) if such offer is made at any time after the issuance of the certificate of completion and compliance for the factory building or buildings erected on the Land, at a price equivalent of:-
 - (i) the Purchase Price for the Land; and
 - (ii) the value of the factory building or buildings erected on the Land with certificate of completion and compliance issued thereof as determined by the Jabatan Pernilaian dan Perkhidmatan (which said value when so determined shall be binding on the parties) or the prevailing market price for such factory building or buildings, whichever is the lower.

4.5.2 In the event that the Vendor shall agree to accept the offer made in accordance with paragraph 4.5.1 above, the parties shall within two (2) months after the Vendor's receipt of such offer, execute a sale and purchase agreement, as prepared by the Vendor whereby the Vendor shall pay to the Purchaser twenty per cent (20%) of the Agreed Price upon execution of the said sale and purchase agreement, and the balance thereof (subject to paragraph 4.5.3 hereof) within six (6) months from the date of such sale and purchase agreement and, if the land title has been delivered to and/or registered in the name of the Purchaser, the Purchaser shall execute a valid and registrable transfer of the Land free from all encumbrances in favour of the Vendor or the Vendor's nominee and shall deliver such transfer, the original of the land title and any other documents as shall be incumbent upon the Purchaser as the transferor of the Land to produce or provide for the registration of the land title in the name of the Vendor or its nominee, as the case may be.

4.5.3 The Vendor shall prior to the payment of the balance of the Agreed Price to the Purchaser be entitled to deduct from the Agreed Price any moneys as shall be due or owing or payable by the Purchaser to the Vendor under the SPA.

4.6 Breach and Rescission

4.6.1 If the Purchaser shall breach or be in default of any of the terms or conditions of the SPA on its part to be observed or performed, the Vendor shall give to the Purchaser not less than twenty-one (21) days' notice to remedy such breach or default and if the Purchaser shall fail to remedy such breach or default within the said period, then, notwithstanding that the Purchase Price may have been fully paid by the Purchaser or the land title may have been registered in the name of the Purchaser or possession of the Land may have been delivered to the Purchaser, the Vendor shall be entitled at its option to treat the SPA as having been repudiated by the Purchaser and to immediately by notice rescind the SPA and upon such rescission:

(a) a sum equivalent to twenty percent (20%) of the Purchase Price amounting to RM5,655,860.87 (the "Agreed Liquidated Damages") shall be forfeited to the Vendor absolutely as agreed liquidated damages without any need on the part of the Vendor to prove any actual loss and the Purchaser warrants and agrees that the Agreed Liquidated Damages is a genuine pre-estimate of loss and reasonable compensation; and

(b) paragraph 4.6.2 to 4.6.5 shall apply.

4.6.2 In the event that paragraph 4.6.1 applies and if possession of the Land shall have been delivered to the Purchaser, the Purchaser shall at its own cost and expense, re-deliver possession of the Land to the Vendor free from any squatter, occupier, encumbrance, equipment and/or any construction waste/debris. The Purchaser shall, if directed by the Vendor, remove any building, structure and/or pile shall then have been completely or partially erected on the Land by or for the Purchaser on the Land. For the avoidance of doubt, it is agreed that no payment or any compensation whatsoever shall be payable by the Vendor in respect of any building, structure and/or pile erected on the Land.

4.6.3 In the event that paragraph 4.6.1 applies and if the Land shall have been registered in the name of the Purchaser, the Purchaser shall forthwith at its sole cost and expense execute a valid and registrable transfer of the Land free from all encumbrances in favour of the Vendor or the Vendor's nominee (if so directed or authorised by the Vendor) and deliver such transfer, the original of the land title in name of the Vendor or its nominee, as the case may be. Notwithstanding the foregoing provision, in the event the Land shall then be subject to any encumbrance, the Purchaser shall at its sole cost and expense immediately remove or cause to be removed such encumbrance and for such purpose shall at all times diligently do all necessary or incidental acts and things and for the avoidance of doubt, it is expressly agreed that the Purchaser shall be and remain liable to perform the provision in this paragraph 4.6.3, notwithstanding that the Vendor may have any other right or obligation under any other provision in the SPA.

- 4.6.4 After deducting the Agreed Liquidated Damages, if there is any balance of the Purchase Price received by the Vendor from the Purchaser under the SPA, the balance money shall be utilised to settle or make the payments as mentioned below:
- (i) all or any quit rents, rates, assessments and other outgoings payable in respect of the Land which shall remain owing and unpaid by the Purchaser;
 - (ii) in the event the Land shall then be subject to any encumbrance in favour of any other person, without prejudice to paragraph 4.6.3 above, the redemption sum to the person in whose favour the encumbrance is created to secure full and valid removal, discharge or release of the encumbrance so created and/or to pay all stamp duties, registration fees, penalties, taxes and expenses in connection with or incidental to such removal;
 - (iii) in the event the land title has been registered in the name of the Purchaser, without prejudice to paragraph 4.6.3 above, all and any stamp duties, registration fees, penalties, taxes and expenses in connection with or incidental to the transfer back of the land title from the Purchaser to the Vendor or its nominee;
 - (iv) all expenses and legal fees incurred on a 'solicitor-client' basis either in requiring the Purchaser to remedy any breach or default of the SPA or in enforcing any term of the SPA; and
 - (v) all and any other costs or expenses which are not mentioned above but which are incurred as a result of or arising from such breach or default by the Purchaser,

and the remaining of the balance money (after settling or making the payments as aforesaid), if any, shall be refunded by the Vendor to the Purchaser without any interest, cost of compensation.

- 4.6.5 Subject to compliance with paragraph 4.6.2 to 4.6.4, neither of the parties shall have any claim against the other under or in respect of the SPA and the Vendor shall have the right to deal with or dispose of the Land in any manner to any person at any price as the Vendor shall see fit and the Purchaser warrants that it shall not make or otherwise rely on any claim for relief against rescission or termination of the SPA, or against the forfeiture of the Agreed Liquidated Damages or against the utilisation of the balance moneys pursuant to paragraph 4.6.2 to 4.6.4 hereof or in any manner howsoever challenge or dispute the rights or remedies of the Vendor, and the Purchaser further warrants and agrees that the Vendor shall be entitled to specifically enforce the provisions of paragraph 4.6.1 to 4.6.5 as a separate and independent part of the SPA.

5. RATIONALE FOR THE PROPOSED ACQUISITION

- 5.1 The Proposed Acquisition will increase the Group's engineering and manufacturing capacity, specifically to cater for its expansion into the factory automation solution and medical segment.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital

The Proposed Acquisition will not have any effect on the share capital of the Company as it is by way of cash.

6.2 Earnings per Share and Net Assets per Share

The Proposed Acquisition is not expected to have any material effect on the earnings per share and net assets per shares of PCB for the financial year ending 31 December 2021.

6.3 Gearing

As the Group intends to fund the Proposed Acquisition through internally generated funds, the Proposed Acquisition is not expected to have any effect on the gearing of the Group.

6.4 Substantial shareholders' shareholdings

The Proposed Acquisition is not expected to have any effect on the Company's substantial shareholders' shareholdings.

7. APPROVALS REQUIRED

The Proposed Acquisition is subject to the State Authority's alienation/ re-alienation of the Land. Other than State Authority's consent, the Proposed Acquisition is not subject to approval of PCB's shareholders or any other regulatory authorities.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Acquisition.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the fourth quarter of the financial year ending 31 December 2021.

10. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Acquisition of Land pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 4.01%, calculated based on the Purchase Price.

11. STATEMENT BY DIRECTORS

The Board of Directors, having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest PCB and of the Group.

12. DOCUMENTS FOR INSPECTION

A copy of the SPA will be made available for inspection at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 3 November 2021.