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PENTAMASTER INTERNATIONAL LIMITED
檳傑科達國際有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1665)

SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION

ASSIGNMENT OF OUTSTANDING DEBT OWING BY EVERREADY PRECISION INDUSTRIAL CORP. (“EPIC”) TO THE COMPANY TO PENTAMASTER INNOTEQ SDN. BHD. (“PISB”), A WHOLLY OWNED SUBSIDIARY OF PENTAMASTER CORPORATION BERHAD, THE HOLDING COMPANY OF THE COMPANY

AND

PROPOSED SUBSCRIPTION OF NEW SHARES IN EPIC BY PISB TO BE SETTLED BY WAY OF SET OFF AGAINST THE OUTSTANDING DEBT

Reference is made to the announcement made by Pentamaster International Limited (the “**Company**”) on 4 July 2022 (the “**4 July Announcement**”) in relation to the Proposed Subscription and Assignment. Unless otherwise defined, terms used in this announcement shall have the same meanings as defined in the 4 July Announcement.

This announcement provides further information about the Assignment.

1. PRINCIPAL TERMS OF THE ASSIGNMENT AGREEMENT

Date: 6 May 2022

Parties: (i) The Company
(ii) EPIC
(iii) PISB

Consideration: The consideration for the assignment of 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, representing 29.9% of the enlarged equity interest in EPIC is USD6,776,773. The Consideration was determined after arm’s length negotiations between the Company, EPIC and PISB with reference to, among other things, the Outstanding Debt amount of USD6,776,733 and historical financial performance of EPIC.

The Assignment, which is subject to investment approval by Kaohsiung Nanzih Technology Industrial Park, has yet to be completed as at the date of this announcement.

2. USE OF PROCEEDS

The net proceeds from the Assignment will be used as general working capital of the Company. There is no gain or loss recognised by the Company arising from the Assignment.

3. PARTIES TO THE ASSIGNMENT AGREEMENT

Information on the Company

The Company's principal activity is investment holding. The Company and its subsidiaries are principally engaged in designing, development and manufacturing of standard and non-standard automated test equipment; designing, development and installation of integrated factory automation solutions; and manufacturing and assembling of medical machines and manufacturing of die casting parts.

Information on EPIC

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the ultimate beneficial owner of EPIC is Mr. James Yen Ming-Yi who (personally and through his investment companies) together with his family members control approximately 55% of EPIC. Other shareholders of EPIC include over 10 corporations and individuals and each of them holds less than 30% of the equity interests thereof; and (ii) EPIC and its shareholders are third parties independent of the Company and its connected persons.

The following table sets forth the latest audited financial information attributable to EPIC for the two years ended 31 December 2020 and 2021.

	For the years ended 31 December	
	2020	2021
	<i>(MYR '000)</i>	<i>(MYR '000)</i>
Loss before tax	4,040	3,700
Loss after tax	3,569	3,752

The audited net asset of EPIC was approximately MYR45.3 million as at 31 December 2021.

Information on PISB

PISB is a wholly owned subsidiary of PCB, a public limited liability company incorporated under the laws of Malaysia with limited liability on 26 February 2002 and the shares of which are listed on the Main Market of Bursa Malaysia.

4. REASONS FOR AND BENEFITS OF THE ASSIGNMENT

As at 31 December 2021, total outstanding trade receivables due to the Group from AHEAD and EPIC in relation to equipment purchased amounted to US\$4,268,720.30 and US\$2,508,013 respectively. The Board, having considered (i) the businesses of AHEAD and EPIC were expected to be adversely affected by the protracted COVID-19 outbreak in the short term; (ii) EPIC has proposed establishing a manufacturing joint venture in China with the investment arm of a major enterprise in China for its business expansion; and (iii) the outlook of the optoelectronics market in China, originally resolved to agree with EPIC that the Outstanding Debt may be settled by way of issuance of new shares of EPIC to the Group. On 20 April 2022, the Company entered into a Share Conversion Letter of Undertaking

with EPIC and AHEAD for the aforesaid purposes, the details of which can be found in the 4 July Announcement.

Subsequently on 6 May 2022, after taking into account that holding a minority stake in EPIC, a loss making private company, is not in line with the Group's strategy and that the Assignment would allow the Group to recoup fully in cash the Outstanding Debt originally owed by EPIC and AHEAD to the Company, the Board resolved to enter into the Assignment Agreement with EPIC and PSIB.

In light of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Assignment and the transactions contemplated thereunder, while not in the ordinary and usual course of business of the Company, are fair and reasonable, and are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

5. BOARD APPROVAL

The Board has unanimously approved the Assignment. Apart from Mr. Chuah Choon Bin and, Ms. Gan Pei Joo and Mr. Leng Kean Yong, who are also directors of PISB, none of the Directors has or is deemed to have a material interest in the Assignment. The votes of Mr. Chuah Choon Bin, Ms. Gan Pei Joo and Mr. Leng Kean Yong would not affect the passing of the relevant Board resolutions approving the Assignment given the unanimous approval by the remaining three Independent Non-Executive Directors.

6. LISTING RULES IMPLICATIONS

As at the date of the Assignment Agreement, PCB controls approximately 63.9% of the issued share capital of the Company and PISB is a wholly-owned subsidiary of PCB. Therefore, the PISB is a connected person of the Company and the Assignment constitutes a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As one or more of the applicable percentage ratios in respect of the Assignment exceed(s) 0.1% but all percentage ratios are less than 5%, the Assignment is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from relevant circular (including independent financial advice) and independent shareholders' approval requirements.

The delay in publishing this announcement and relevant disclosure in relation to the implication of the Assignment Agreement under Chapter 14A of the Listing Rules was due to an inadvertent oversight. The Company will strengthen its internal control procedures in monitoring connected transactions by, among others, provision of specific training on relevant requirements of the Listing Rules to the Directors and relevant staff who is responsible for monitoring any such transactions.

By order of the Board
Pentamaster International Limited
Chuah Choon Bin
Chairman and Executive Director

Malaysia, 15 July 2022

As at the date of this announcement, the Board comprises Mr. Chuah Choon Bin and Ms. Gan Pei Joo as executive Directors; Mr. Leng Kean Yong as non-executive Director; and Ms. Chan May May, Dr. Chuah Jin Chong and Mr. Sim Seng Loong @ Tai Seng as independent non-executive Directors.