PENTAMASTER CORPORATION BERHAD (572307-U) ("Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

		Individual Quarter 3 Months Ended		Cumulative Year Financial Year Ended	
		31/12/2010	31/12/2009 (restated)	31/12/2010	31/12/2009 (audited)
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue		22,115	14,967	83,947	73,472
Cost of goods sold		(24,324)	(11,974)	(76,102)	(61,248)
Gross (loss)/profit		(2,209)	2,993	7,845	12,224
Other income		640	3,751	2,772	6,384
Administrative expenses		(18,692)	(3,829)	(29,144)	(15,513)
Distribution costs		(1,221)	(1,475)	(4,043)	(4,754)
Other expenses		(4)	(440)	(54)	(1,397)
Operating (loss)/profit		(21,486)	1,000	(22,624)	(3,056)
Finance costs		(822)	(976)	(3,563)	(4,197)
(Loss)/Profit before taxation		(22,308)	24	(26,187)	(7,253)
Taxation		365	212	299	243
(Loss)/Profit for the year		(21,943)	236	(25,888)	(7,010)
(Loss)/Profit attributable to :					
Owners of the Parent		(21,766)	248	(25,906)	(7,140)
Non-controlling interests		(177)	(12)	18	130
		(21,943)	236	(25,888)	(7,010)
Profit per share attributable to owners of the parent (sen) :-					
- Basic		(16.34)	0.19	(19.44)	(5.36)
- Diluted		N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

PENTAMASTER CORPORATION BERHAD (572307-U) ("Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Individual Quarter 3 Months Ended		Cumulative Year Financial Year Ended	
	31/12/2010	31/12/2009 (restated)	31/12/2010	31/12/2009 (audited)
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the year	(21,943)	236	(25,888)	(7,010)
Other comprehensive income:				
Translation of foreign operations	1	(14)	(4)	(8)
Other comprehensive income net of tax	1	(14)	(4)	(8)
Total comprehensive income for the year	(21,942)	222	(25,892)	(7,018)
Total comprehensive income attributable to:				
Owners of the Parent	(21,765)	234	(25,910)	(7,148)
Non-controlling interests	(177)	(12)	18	130
	(21,942)	222	(25,892)	(7,018)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

PENTAMASTER CORPORATION BERHAD (572307-U) ("Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Unaudited As at 31/12/2010 RM'000	Audited As at 31/12/2009 (audited) RM'000
ASSETS		
Non Current Assets		
Property, plant and equipment	52,121	117,679
Available-for-sale investments	1,360	3,679
Intangible assets	15,256	17,145
	68,737	138,503
Current Assets		
Inventories	8,620	13,435
Trade receivables	16,775	16,836
Other receivables, deposits & prepayments	2,703	3,250
Derivative financial instruments	188	-
Tax recoverable	85	268
Cash and bank balances	6,149	5,158
Assets classified as held for sale	48,194	-
	82,714	38,947
TOTAL ASSETS	151,451	177,450
EQUITY AND LIABILITIES		
Equity Attributable To Owners of the Parents		
Share capital	66,622	66,622
Reserves	(15,463)	10,447
	51,159	77,069
Non-Controlling interest	1,308	1,290
Total Equity	52,467	78,359
Non Current Liabilities		
Term loans	4,145	42,756
Deferred income	11,990	11,643
Deferred tax liabilities	1,850	2,226
	17,985	56,625
Current Liabilities		
Trade payables	19,076	11,433
Other payables and accruals	13,278	7,582
Provision for warranty costs	-	171
Derivative financial instruments	-	39
Short term borrowings		
- overdrafts	-	459
- other borrowings	48,645	22,782
	80,999	42,466
Total Liabilities	98,984	99,091
TOTAL EQUITY AND LIABILITIES	151,451	177,450

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

PENTAMASTER CORPORATION BERHAD (572307-U) ("Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	← Attributable to Owners of the Parent				→	Non-controlling Interest	Total Equity
		Non Distributable		Distributable			
	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2010	66,622	4,865	116	5,505	77,108	1,290	78,398
Effects of applying FRS 139				(39)	(39)		(39)
Restated balance	66,622	4,865	116	5,466	77,069	1,290	78,359
Total comprehensive income for the year	-	-	(4)	(25,906)	(25,910)	18	(25,892)
As at 31 December 2010	66,622	4,865	112	(20,440)	51,159	1,308	52,467

	← Attributable to Owners of the Parent				→	Non-controlling Interest	Total Equity
		Non Distributable		Distributable			
	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated As at 1 January 2009	66,622	4,865	131	12,645	84,263	1,159	85,422
Total comprehensive income for the year	-	-	(14)	(7,140)	(7,154)	130	(7,024)
As at 31 December 2009	66,622	4,865	117	5,505	77,109	1,289	78,398

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

PENTAMASTER CORPORATION BERHAD (572307-U) ("Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	12 Months ended 31/12/2010 RM'000	12 Months ended 31/12/2009 (audited) RM'000
Cash Flows From Operating Activities		
Loss before taxation	(26,187)	(7,253)
Adjustments for -		
Allowance for doubtful debts	139	99
Allowance for doubtful debts no longer required	-	(222)
Amortisation of intangible assets	3,129	2,411
Amortisation of prepaid lease payment	138	138
Deferred income released	(2,465)	(1,500)
Bad debts	37	-
Bad debts written off	-	33
Depreciation	5,944	5,215
Dividend income	(53)	-
Intangible assets written off	-	28
Interest expense	3,563	4,144
Interest income	(63)	(15)
Inventory written off	895	169
Inventory written down	-	462
Impairment loss for investment	2,319	1,181
Impairment loss on development cost	1,000	-
Impairment loss on inventory	(184)	-
Impairment loss on asset classified as held for sale	10,361	-
Impairment loss of property, plant & equipment	(298)	(2,553)
Reversal of inventory written down	-	(567)
Gain/(Loss) on disposal of property, plant and equipment	(132)	(472)
Other non-cash movements	(228)	-
Provision for employees' benefits	-	(77)
Provision for slow moving stock	3,780	-
Provision for warranty costs	(171)	(157)
Fixed assets written off	1,785	308
Unrealised (gain)/loss on foreign exchange	371	257
Operating loss before working capital changes	3,680	1,629
Changes in working capital		
Inventories	324	14,342
Receivables	56	3,894
Payables	13,362	(5,597)
Cash generated from operations	17,422	14,268
Interest paid	(3,563)	(4,144)
Grant received	2,813	4,321
Tax refund	131	312
Tax paid	(44)	-
Net cash generated from operating activities	16,759	14,757

Cash Flows From Investing Activities		
Interest received	63	15
Dividend received	53	-
Development expenditure	(2,276)	(3,177)
Proceeds from disposal of property, plant & equipment	379	487
Purchase of computer software	-	(17)
Purchase of property, plant and equipment	(780)	(582)
Net cash outflow from investing activities	(2,561)	(3,274)
Cash Flows From Financing Activities		
Short term borrowings	(6,618)	(12,399)
Proceeds from term loan drawdown	1,922	2,391
Hire purchase payables	-	(77)
Repayment of term loan	(8,050)	-
Net cash (outflow)/inflow from financing activities	(12,746)	(10,085)
Net Increase In Cash And Cash Equivalents	1,452	1,398
Cash And Cash Equivalents As At 1 January	4,699	3,308
Foreign exchange differences on opening balance	(2)	(7)
Cash And Cash Equivalents As At 31 December	6,149	4,699

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2009.

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1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The figures for the cumulative period in the current quarter to 31 December 2010 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2009, except for the following:

i) Adoption of New and Revised FRSs, IC Interpretations and Amendments

In the current period ended 31 December 2010, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations:

FRS 7, Financial Instruments: Disclosures.
FRS 8, Operating Segments.
FRS101 (revised), Presentation of Financial Statements.
FRS 123 (revised), Borrowing Costs.
FRS 132 (revised), Financial Instruments: Presentation.
FRS 139, Financial Instruments: Recognition and Measurement.
IC Interpretation 9, Reassessment of Embedded Derivatives.
IC Interpretation 10, Impairment and Interim Financial Reporting.
Amendments to FRS 8
Amendments to FRS 139, FRS 7 and IC Interpretation 9
Amendment to FRS 117
Amendment to FRS 134

2 Audit Report of Preceding Annual Financial Statements

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2009 was not subject to any qualification.

3 Seasonal and Cyclical Factors

The Group sells its products and services to customers from various sub-sectors of the semiconductor and manufacturing industries. As such, the Group's performance will, to a certain extent, depend on the outlook and cyclical nature of the semiconductor and manufacturing industries.

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

5 Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

6 Valuations of Property, Plant and Equipment

The carrying values of property, plant and equipment have been brought forward, without amendment from the previous audited financial statements.

7 Changes in Share Capital and Debt

There were no issuances, cancellations, repurchases and repayments of debt and equity securities for the period under review.

8 Contingent Liabilities

As at 31 December 2010, the Company has issued corporate guarantees amounting to RM46.9 million (31.12.09: RM37.9 million) as security for banking facilities granted to the Company and its subsidiaries of which RM25.3 million (31.12.09 : RM32.5 million) were utilized.

9 Capital Commitments

There were no major capital commitments for the Group as at the date of this report.

10 Segmental Information

Results for year ended 31 December 2010

	Contract manufacturing	Automated Equipment	Intelligent Sortation System	Test & Measurement System	Information Technology System	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External Revenue	21,248	47,324	8,934	3,809	2,578	54	83,947
Inter-segment revenue	5,786	1,007	412	882	638	3,678	12,403
Total revenue	27,034	48,331	9,346	4,691	3,216	3,732	96,350
Results							
Segment results	(5,910)	(7,171)	(6,020)	(754)	(1,206)	(1,562)	(22,623)
Finance cost	(5)	(926)	(2,428)	(23)	-	(181)	(3,563)
Profit/(Loss) before taxation	(5,915)	(8,097)	(8,448)	(777)	(1,206)	(1,743)	(26,186)
Taxation	(9)	350	(32)	(2)	(5)	(4)	298
Profit/(Loss) after taxation	(5,924)	(7,747)	(8,480)	(779)	(1,211)	(1,747)	(25,888)

Results for year ended 31 December 2009

	Contract manufacturing	Automated Equipment	Intelligent Sortation System	Test & Measurement System	Information Technology System	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External Revenue	20,439	27,273	22,036	2,739	985	-	73,472
Inter-segment revenue	853	1,500	722	75	155	5,140	8,445
Total revenue	21,292	28,773	22,758	2,814	1,140	5,140	81,917
Results							
Segment results	(1,474)	456	(565)	391	(1,128)	(738)	(3,058)
Finance cost	(140)	(1,081)	(2,475)	(24)	(1)	(474)	(4,195)
Profit/(Loss) before taxation	(1,614)	(625)	(3,040)	367	(1,129)	(1,212)	(7,253)
Taxation	-	258	(15)	-	-	-	243
Profit/(Loss) after taxation	(1,614)	(367)	(3,055)	367	(1,129)	(1,212)	(7,010)

11 Events Subsequent to the End of the Period

Other than the corporate proposal disclosed in Note 20 below, there were no material events subsequent to the end of the period under review that have not been reflected in the interim financial statements.

12 Review of Performance

The Group's revenue was higher at RM22.1 million in current quarter, representing an increase of 48% as compared to RM14.9 million in the previous corresponding quarter. The higher revenue achieved was mainly due to the improvement in demand for automated equipment from semiconductor market.

Nevertheless, the Group reported a loss before tax of RM22.3 million compared to the marginal profit before tax of RM24,000 in the previous corresponding quarter. This is mainly due to the following reasons:-

(i) Impairment made for properties and machineries to its realizable values arising from the proposed disposal as disclosed in Note 20 below.

(ii) Impairment made for the investment in subordinated bond upon notification by the portfolio manager that the fair market value of the subordinated bond is substantially below the nominal value.

(iii) Stock provision made for inventories mainly held by one of its key customers who sold its manufacturing plant to a third party in quarter 4; and inventories held by its contract manufacturing business unit upon termination of the projects that require in-house fabrication support from the machineries which were disposed and support staff which were retrenched in quarter 4. The management decided to terminate these projects immediately to trim further losses.

13 Material Changes in the Quarterly Results as Compared with the Preceding Quarter

The Group's revenue of RM22.1 million for the fourth quarter has increased by 10% as compared to RM20.0 million registered in the preceding quarter. The higher revenue achieved was mainly contributed by the improvement in demand for automated equipment from semiconductor market.

However, the Group recorded a loss before tax of RM22.3 million against RM1.9 million loss before tax in the preceding quarter due to the reasons mentioned in Note 12 above.

14 Current Year Prospect

The Group's revenue in year 2011 is anticipated to be substantially driven by the demand from semiconductor industry. However, the Group has taken steps to diversify into Green-Thought development project namely Glove Unique Reprocessing Unit (GURU) and LED projects to further strengthen and expand its revenue. Barring any unforeseen circumstances, the Group is cautiously optimistic of achieving better business performance in 2011.

15 Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued by the Group.

16 Taxation

The taxation charge for the current quarter and year to date is as follows –

	Current Quarter RM'000	Current Year to Date RM'000
Income tax payable	(11)	(77)
Deferred tax expense	376	376
	365	299

17 Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments or properties during the period under review.

18 Purchase or Disposal of Quoted Securities

The Group is currently not holding any quoted securities and there were no purchase or disposal of quoted securities for the period under review.

19 Changes in the Composition of the Group

There were no changes in the composition of the Group during the period under review.

20 Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this announcement.

On 15 October 2010, OSK Investment Bank Berhad had on behalf of the Board of Directors of the Company announced that the following agreements were entered into:-

(a) Real Properties Sale and Purchase Agreement between Pentamaster Technology (M) Sdn Bhd, a wholly-owned subsidiary of the Company as the vendor and Benchmark Electronics (M) Sdn Bhd (“Benchmark”) as the purchaser 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, a wholly-owned subsidiary of the Company as the vendor and Benchmark as the purchaser for the disposal of certain Computerised Numerical Control fabrication machinery and equipment for a cash consideration of RM8 million;

(hereinafter referred to as the “Proposed Disposal”).

The Proposed Disposal had been approved by the shareholders via an Extraordinary General Meeting of the Company held on 6 January 2011. Subsequently, the Company had delivered vacant possession to Benchmark on 17 January 2011 but is currently in the process of arranging for the presentation of the transfer of the property by the authorities.

21 Borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:-

	RM'000
Short term borrowings (unsecured)	
Banker's acceptance and receivable factoring	2,273
Term loan	27,500
	29,773
Short term borrowings (secured)	
Banker's acceptance and revolving credit	6,000
Term loan	12,872
	18,872
Total	48,645
Long term borrowings	
Term loan - unsecured	-
Term loan - secured	4,145
Total	4,145
Total utilisation	52,790

All borrowings are denominated in Ringgit Malaysia.

22 Derivative Financial Instruments

As at the date of the statement of financial position 31 December 2010, the Group has the following outstanding derivative financial instruments:

Derivatives	Contract or Notional amount (RM)	Fair value Net gain (RM)	Purpose
Currency forward contracts: -Less than 1 year	12,401,716	188,429	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 31 December 2010, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end. Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

23 Disclosure of Realised and Unrealised Profits/Losses

	As at 31/12/2010 (RM'000)	As at 30/9/2010 (RM'000)
Total retained profits/ (accumulated losses) of the Group:		
- Realised	(20,782)	1,590
- Unrealised	342	(265)
Total group retained profits/ (accumulated losses) as per consolidated accounts	(20,440)	1,325

24 Material Litigations

There was no material litigation since the last annual balance sheet date until the date of this announcement.

25 Dividends

The Board of Directors does not recommend any dividend in respect of the financial year ended 31 December 2010.

26 Profit/(Loss) Per Share

(a) Basic Profit/(Loss) Per Share

The calculation of basic profit/(loss) per share for the period is based on the net profit/(loss) attributable to ordinary shareholders for the quarter and the financial period divided by the weighted average number of ordinary shares in issue during the period of 133,243,050 (2009 : 133,243,050).

(b) Diluted Profit/(Loss) Per Share

The basic and diluted profit/(loss) per share for the current financial period are the same as there is no dilutive potential ordinary shares during the period.

The effect on the basic loss per share for the previous corresponding financial period arising from the assumed exercise of employees share options was anti-dilutive. Accordingly, the diluted loss per share in the previous corresponding period is equal to the basic loss per share.

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
24 February 2011