

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME**

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2019

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/9/2019 (Unaudited) RM'000	30/9/2018 (Unaudited) RM'000	30/9/2019 (Unaudited) RM'000	30/9/2018 (Unaudited) RM'000
Revenue	124,633	108,303	364,128	309,982
Cost of goods sold	(78,412)	(71,863)	(233,115)	(209,954)
Gross profit	46,221	36,440	131,013	100,028
Other income	4,664	1,350	12,439	12,639
Administrative expenses	(15,504)	(8,278)	(36,646)	(40,707)
Distribution costs	(1,930)	(843)	(5,349)	(2,446)
Other operating expenses	(63)	(56)	(261)	(150)
Operating profit	33,388	28,613	101,196	69,364
Finance costs	(42)	(48)	(151)	(146)
Share of results of an associate	(181)	(9)	(307)	(47)
Profit before taxation	33,165	28,556	100,738	69,171
Taxation	533	(1,839)	(5,156)	(4,470)
Profit and total comprehensive income for the period	33,698	26,717	95,582	64,701
Profit and total comprehensive income for the period attributable to :				
Owners of the Company	21,480	17,108	60,586	38,281
Non-controlling interests	12,218	9,609	34,996	26,420
	33,698	26,717	95,582	64,701
Earnings per share attributable to owners of the Company (sen) :- - Basic and diluted	4.52	3.60	12.76	8.06
<b>One-off and non-recurring costs</b>				
Listing expenses	-	-	-	7,146
Reported profit for the period	33,698	26,717	95,582	64,701
Adjusted profit for the period	33,698	26,717	95,582	71,847

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 2019 should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 SEPTEMBER 2019**

	As at 30/9/2019 (Unaudited) RM'000	As at 31/12/2018 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	79,357	71,651
Intangible assets	37,345	10,797
Investment property	10,050	10,050
Investment in an associate	4,489	3,046
	<u>131,241</u>	<u>95,544</u>
<b>Current assets</b>		
Inventories	78,716	138,115
Trade receivables	57,460	51,913
Other receivables, deposits and prepayments	33,196	34,829
Tax recoverable	508	984
Cash and cash equivalents	424,586	324,653
	<u>594,466</u>	<u>550,494</u>
<b>Total assets</b>	<u><u>725,707</u></u>	<u><u>646,038</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	79,303	79,303
Reserves	336,306	276,934
	<u>415,609</u>	<u>356,237</u>
<b>Non-controlling interests</b>	<u>146,226</u>	<u>118,220</u>
<b>Total equity</b>	<u><u>561,835</u></u>	<u><u>474,457</u></u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	3,108	3,346
Deferred income	2,154	288
Deferred consideration	5,598	-
	<u>10,860</u>	<u>3,634</u>
<b>Current liabilities</b>		
Trade payables	25,645	40,003
Other payables, accruals and provision	33,541	22,470
Contract liabilities	87,175	99,092
Deferred consideration	5,795	-
Derivative financial liabilities	287	4,810
Borrowings	354	416
Provision for taxation	215	1,156
	<u>153,012</u>	<u>167,947</u>
<b>Total liabilities</b>	<u><u>163,872</u></u>	<u><u>171,581</u></u>
<b>Total equity and liabilities</b>	<u><u>725,707</u></u>	<u><u>646,038</u></u>

The unaudited condensed consolidated statement of financial position as at 30 September 2019 should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Equity attributable to owners of the Company			Non- controlling Interests	Total equity
	Share capital	Retained profits	Total		
	RM'000	RM'000	RM'000		
As at 1 January 2019 (Audited)	79,303	276,934	356,237	118,220	474,457
Total comprehensive income for the period	-	60,586	60,586	34,996	95,582
Transaction with owners:					
Effect of changes in shareholding		(1,214)	(1,214)	(2,252)	(3,466)
Dividend to non-controlling interests	-	-	-	(4,738)	(4,738)
As at 30 September 2019 (Unaudited)	<u>79,303</u>	<u>336,306</u>	<u>415,609</u>	<u>146,226</u>	<u>561,835</u>

	Equity attributable to owners of the Company			Non- controlling Interests	Total equity
	Share capital	Retained profits	Total		
	RM'000	RM'000	RM'000		
As at 1 January 2018 (Audited)	79,303	100,917	180,220	20,126	200,346
Total comprehensive income for the period	-	38,281	38,281	26,420	64,701
Transaction with owners:					
Disposal of equity interest to non-controlling interests	-	118,901	118,901	61,191	180,092
As at 30 September 2018 (Unaudited)	<u>79,303</u>	<u>258,099</u>	<u>337,402</u>	<u>107,737</u>	<u>445,139</u>

The unaudited condensed consolidated statement of changes in equity for the nine months ended 30 September 2019 should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	<b>9 Months ended 30/9/2019 (Unaudited) RM'000</b>	<b>9 Months ended 30/9/2018 (Unaudited) RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	100,738	69,171
Adjustments for:		
Amortisation of intangible assets	566	2,248
Deferred income released	(170)	(98)
Depreciation	2,684	1,755
Gain on disposal of property, plant & equipment	(95)	-
Impairment loss on trade receivables - addition	2,824	-
Impairment loss on trade receivables - reversal	(339)	-
Interest expense	151	146
Interest income	(7,612)	(1,677)
(Gain)/loss from changes in fair value of foreign currency forward contracts	(4,523)	10,475
Inventory written downs - addition	2,395	154
Inventory written downs - reversal	(106)	(11)
Inventory written off	305	-
Share of results of an associate	307	47
Unrealised gain on foreign exchange	(13)	(10,261)
Operating profit before working capital changes	<u>97,112</u>	<u>71,949</u>
Decrease/(increase) in inventories	75,607	(4,669)
Decrease/(increase) in receivables	5,536	(27,751)
(Decrease)/increase in payables	(10,974)	14,054
(Decrease)/increase in contract liabilities	(30,867)	16,798
Cash generated from operations	<u>136,414</u>	<u>70,381</u>
Interest paid	(151)	(146)
Tax paid	(6,163)	(3,279)
Tax refunded	555	25
Net cash generated from operating activities	<u>130,655</u>	<u>66,981</u>
<b>Cash flows from investing activities</b>		
Interest received	7,612	1,677
Purchase of property, plant and equipment	(6,872)	(27,400)
Purchase of intangible assets	(5,600)	(10,458)
Proceed from disposal of investment in a subsidiary	-	29,500
Proceed from disposal of property, plant and equipment	215	-
Investment in an associate	(1,750)	(1,400)
Net cash outflow on acquisition of a subsidiary <sup>(1)</sup>	(15,379)	-
Net cash used in investing activities	<u>(21,774)</u>	<u>(8,081)</u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	<b>9 Months ended 30/9/2019 (Unaudited) RM'000</b>	<b>9 Months ended 30/9/2018 (Unaudited) RM'000</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(4,738)	-
Repayment of finance lease liabilities	(74)	(139)
Proceeds from issuance of shares to non-controlling interest of a subsidiary	-	183,755
Share issue expenses	-	(3,664)
Net purchase of shares from non-controlling interests of a subsidiary	(3,466)	-
Repayment of term loan	(226)	(239)
Net cash (used in) / generated from financing activities	<u>(8,504)</u>	<u>179,713</u>
<b>Net increase In cash and cash equivalents</b>	100,377	238,613
<b>Effect of foreign exchange rate changes</b>	(444)	5,289
<b>Cash and cash equivalents at the beginning of the period</b>	324,653	82,202
<b>Cash and cash equivalents at the end of the period</b>	<u><u>424,586</u></u>	<u><u>326,104</u></u>

The unaudited condensed consolidated statement of cash flows for the nine months ended 30 September 2019 should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

**(1) Acquisition of a subsidiary**

On 26 September 2019, the Group entered into a sale and purchase agreement with all the existing shareholders of TP Concept Sdn. Bhd. ("TP") to acquire 100% equity interest in TP comprising 250,000 ordinary shares each fully paid up at a consideration of RM21,000,000 (the "Acquisition"). The conditions for completion of the sale and purchase agreement have been fulfilled and the Acquisition was completed on 27 September 2019. For further details, please refer to the announcements of the Company dated 26 September 2019 and 27 September 2019 respectively.

The fair value of assets and liabilities of TP as at date of acquisition were:

	MYR'000
Property, plant and equipment	3,638
Inventories	18,803
Trade and other receivables	11,484
Cash and cash equivalents	(6,379)
Deferred income	(2,036)
Trade and other payables	(26,631)
	<hr/>
Share of net liabilities acquired	(1,121)
Goodwill	21,514
	<hr/> <hr/>
	20,393
	<hr/> <hr/>
Satisfied by	
Cash consideration paid	9,000
Deferred consideration	11,393
	<hr/> <hr/>
	20,393

An analysis of the cash flow in respect of the acquisition of a subsidiary is as follows:

Total cash paid	(9,000)
Less: cash and cash equivalents	(6,379)
Net cash outflow on acquisition of a subsidiary	<hr/> <hr/>
	(15,379)

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**1 Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The figures for the cumulative period in the current quarter to 30 September 2019 have not been audited.

The interim financial report should be read in conjunction with the audited financial statements of the Company and its subsidiaries (“Group”) for the year ended 31 December 2018.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2018, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) that are effective for annual period beginning on or after 1 January 2019:

MFRS 16 *Leases*

Amendments to MFRS 9 *Financial Instrument: Prepayment Features with Negative Compensation*

Amendments to MFRS 119 *Employee Benefits: Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Annual Improvements to MFRS Standards 2015-2017 Cycle

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group.

The Group has not applied the following MFRSs which have been issued as at the end of reporting period but are not yet effective: -

Amendment to *References to the Conceptual Framework in MFRS Standards*<sup>1</sup>

Amendments to MFRS101 *Presentation of Financial Statements*<sup>1</sup>

Amendments to MFRS108 *Accounting Policies, Changes in Accounting Estimates and Errors*<sup>1</sup>

Amendments to MFRS3 *Business Combinations*<sup>4</sup>

MFRS17 *Insurance Contracts*<sup>2</sup>

Amendments to MFRS10 and MFRS128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>3</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2020*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2021*

<sup>3</sup> *Effective date not yet determined*

<sup>4</sup> *Effective for acquisition date on or after the beginning of the first annual periods beginning on or after 1 January 2020.*

**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 2018 was not subject to any qualification.

# **PENTAMASTER CORPORATION BERHAD (572307-U)**

## **(“PCB” or “Company”)**

### **Notes To The Interim Financial Report For Period ended 30 September 2019**

#### **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**

Save as disclosed under Note 20 of this announcement, there were no issuances, cancellations, repurchases and repayments of debt and equity securities for the period under review.

#### **8 Contingent Liabilities**

There were no contingent liabilities for the Group since 31 December 2018 up to 30 September 2019.

#### **9 Capital Commitments**

	<b>Amount</b>
	<b>RM'000</b>
Authorised but not contracted for:	
- Property, plant and equipment	-
Contracted but not provided for:	
- Property, plant and equipment	12,268

#### **10 Related Party Transaction**

There was no related party transaction for the Group since 31 December 2018 up to 30 September 2019.



**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**11 Segmental Information**

**Results for the period ended 30 September 2019**

	Automated test equipment	Factory automation solutions	Smart control solutions system	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External Revenue	313,734	47,878	2,516		364,128
Inter-segment revenue	7,718	8,298	85	(16,101)	-
<b>Total revenue</b>	<b>321,452</b>	<b>56,176</b>	<b>2,601</b>		<b>364,128</b>
<b>Results</b>					
Segment results	90,943	8,017	(776)	(4,600)	93,584
Interest income	4,376	360	-	2,876	7,612
Interest expense	(151)	-	-	-	(151)
Share of results of an associate	-	-	-	(307)	(307)
<b>Profit/(loss) before taxation</b>	<b>95,168</b>	<b>8,377</b>	<b>(776)</b>		<b>100,738</b>
Taxation	(5,120)	(36)	-		(5,156)
<b>Profit/(loss) after taxation</b>	<b>90,048</b>	<b>8,341</b>	<b>(776)</b>		<b>95,582</b>

**Results for the period ended 30 September 2018**

	Automated test equipment	Factory automation solutions	Smart control solutions system	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External Revenue	258,860	46,295	4,827	-	309,982
Inter-segment revenue	9,616	6,400	913	(16,929)	-
<b>Total revenue</b>	<b>268,476</b>	<b>52,695</b>	<b>5,740</b>		<b>309,982</b>
<b>Results</b>					
Segment results	69,057	4,021	872	(6,263)	67,687
Interest income	974	55	1	647	1,677
Interest expense	(143)	-	(3)	-	(146)
Share of results of an associate	-	-	-	(47)	(47)
<b>Profit before taxation</b>	<b>69,888</b>	<b>4,076</b>	<b>870</b>		<b>69,171</b>
Taxation	(4,266)	(8)	(196)		(4,470)
<b>Profit after taxation</b>	<b>65,622</b>	<b>4,068</b>	<b>674</b>		<b>64,701</b>

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**12 Profit Before Taxation**

	<b>Current Quarter</b>	<b>Current Year to Date</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation is arrived at after crediting/(charging):		
Depreciation and amortisation	(1,094)	(3,080)
Gain/(loss) on foreign exchange		
-realised	605	(2,595)
-unrealised	1,081	13
Gain/(loss) from changes in fair value of foreign currency forward contracts	159	(4,523)
Gain on disposal of property, plant and equipment	-	95
Interest income	2,868	7,612
Interest expense	(42)	(151)
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Investment income	-	-
Inventory written off	(1)	(305)
Inventory written down – addition	(16)	(2,395)
Inventory written down – reversal	6	106
Impairment loss on trade receivables-addition	(725)	(2,824)
Impairment loss on trade receivables-reversal	339	339

**13 Events Subsequent to the End of the Year**

There are no material events subsequent to the end of the year under review that have not been reflected in the interim financial report.

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**14 Review of Performance**

	Individual Quarter 3 Months Ended			Cumulative Financial Period Ended		
	30/9/2019	30/9/2018	Variance	30/9/2019	30/9/2018	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	124,633	108,303	15.1	364,128	309,982	17.5
Operating profit	33,388	28,613	16.7	101,196	69,364	45.9
Profit before taxation	33,165	28,556	16.1	100,738	69,171	45.6
Profit and total comprehensive income for the period	33,698	26,717	26.1	95,582	64,701	47.7

The Group recorded higher revenue at RM124.6 million in the current quarter as compared to RM108.3 million registered in the corresponding quarter last year, representing an increase of 15.1%. The higher revenue recorded was mainly due to increase in sales from the automated test equipment (“ATE”) operating segment.

The Group recorded a higher revenue at RM364.1 million for the nine months ended 30 September 2019 as compared to RM310.0 million recorded in the previous corresponding period, representing an increase of 17.5%. The Group’s revenue was contributed by the increase in demand from both the ATE and factory automation solutions (“FAS”) segments, which constituted approximately 86.2% and 13.1% of the Group’s total external revenue during the financial period ended 30 September 2019 respectively.

The following table sets out revenue breakdown by customers’ segment for the Group:

	Individual Quarter 3 Months Ended				Cumulative Financial Period Ended			
	30/9/2019		30/9/2018		30/9/2019		30/9/2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Telecommunications	94,966	76.2	86,143	79.5	251,803	69.2	228,729	73.8
Automotive	16,603	13.3	9,677	8.9	48,339	13.3	34,526	11.1
Consumer and industrial products	3,265	2.6	408	0.4	30,990	8.5	8,349	2.7
Semiconductor	9,474	7.6	8,308	7.7	29,463	8.1	30,015	9.7
Medical devices	325	0.3	293	0.3	1,017	0.3	698	0.2
Others	-	-	3,474	3.2	2,516	0.6	7,665	2.5
<b>Total</b>	<b>124,633</b>		<b>108,303</b>		<b>364,128</b>		<b>309,982</b>	

Due to higher revenue achieved during the three months ended 30 September 2019, the Group consequently recorded a higher profit before taxation of RM33.2 million in the current quarter as compared to the profit before taxation of RM28.6 million in the previous corresponding quarter, representing an increase of 16.1%.

The Group recorded a profit before taxation of RM100.7 million for the financial period ended 30 September 2019, an increase of 32.0% as compared to the adjusted profit before taxation of RM76.3 million for the financial period ended 30 September 2018, after excluding the one-off listing expenses incurred in 2018. The increase in the profit before taxation for the financial period ended 30 September 2019 is mainly due to improvement in the Group’s operating efficiency as evidenced by the increase in the gross profit margin from 32.3% in the financial period ended 30 September 2018 to 36.0% in the financial period ended 30 September 2019.

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**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

Performance of the respective operating segments which includes inter-segment transactions for the current quarter as compared to the previous corresponding quarter is analysed as follows:

**1) Automated test equipment**

The ATE segment remains as the Group’s major revenue source. The products and solutions under this segment consist of designing, development and manufacturing of standard and non-standard automated equipment.

This segment recorded an increase in revenue by RM24.5 million or 27.7% to RM112.9 million in the current quarter as compared to the previous corresponding quarter last year, and an increase in revenue by RM53.0 million or 19.7% to RM321.5 million for the financial period ended 30 September 2019 as compared to the previous financial period ended 30 September 2018. The growth in revenue under the ATE segment for the financial period ended 30 September 2019 was mainly attributable to the (i) continuous surge in demand for the Group’s smart sensor test equipment and solutions, particularly its flagship test solutions in ambient and proximity sensors customised for the smart mobile device sector; (ii) the Group’s exposure to 3D sensing technology through its supply of flood illuminator and dot projector test equipment; and (iii) the Group’s increasing exposure to the automotive sector from the delivery of its test equipment for automotive power device and power management.

As a result of higher revenue achieved and changes in sales mix, this segment recorded higher profit before taxation by RM2.1 million or 7.7% in the current quarter under review as compared to profit before taxation of RM27.4 million in the corresponding quarter last year. For the financial period ended 30 September 2019, The Group recorded higher profit before taxation by RM25.2 million or 36.1% as compared to the financial period ended 30 September 2018 due to improvement in the Group’s operating efficiency.

**2) Factory automation solutions**

The products and solutions in this segment entail designing, development and installation of integrated automated manufacturing solutions.

This segment recorded revenue of RM17.0 million in the current quarter as compared to revenue of RM21.3 million in the corresponding quarter last year, representing decrease of approximately 20.2%. For the financial period ended 30 September 2019, the Group recorded revenue of RM56.2 million as compared to the revenue of RM52.7 million in the corresponding period in 2018, representing an increase of RM3.5 million or 6.6%. The increase in revenue from the FAS segment during the nine-month financial period ended 30 September 2019 as compared to the nine-month financial period ended 30 September 2018 was mainly due to higher demand for the factory automation lines comprising the Group’s proprietary intelligent Automated Robotic Manufacturing System (“i-ARMS”) solutions and the automated manufacturing solution (“AMS”) modules. Given the increasing adoption of automation technology with the prevalence of Industry 4.0, this segment is witnessing progress in the application of i-ARMS and AMS solutions across a wider spectrum of industries, particularly the consumer and industrial products as well as the automotive segment.

# PENTAMASTER CORPORATION BERHAD (572307-U)

(“PCB” or “Company”)

## Notes To The Interim Financial Report For Period ended 30 September 2019

Despite lower revenue, the Group recorded higher profit before taxation by RM2.2 million in the current quarter under review as compared to profit before taxation of RM1.6 million in the previous corresponding quarter due to favorable changes in sales mix. For the financial period ended 30 September 2019, the Group recorded profit before taxation of RM8.4 million as compared to profit before taxation of RM4.1 million for the financial period ended 30 September 2018, representing an increase of RM4.3 million or 104.9% due to favorable changes in sales mix contributing to better profit margin.

### 3) Smart control solution system

The smart control solution system segment recorded revenue of RM70,000 in the current quarter as compared to revenue of RM3.0 million in the corresponding quarter last year. For the financial period ended 30 September 2019, the Group recorded revenue of RM2.6 million as compared to RM5.7 million for the financial period ended 30 September 2018 due to lower volume of project delivery. This segment recorded a loss before taxation of RM0.3 million in the current quarter as compared to profit before taxation of RM1.4 million in the corresponding quarter last year. This segment recorded loss before taxation of RM0.8 million for the financial period ended 30 September 2019 as compared to profit before taxation of RM0.9 million for the financial period ended 30 September 2018.

## 15 Material Changes in the Quarterly Results as Compared with the Preceding Quarter

	3 Months Ended 30/9/2019	3 Months Ended 30/6/2019	Variance
	RM'000	RM'000	%
Revenue	124,633	120,736	3.2
Operating profit	33,338	34,529	(3.4)
Profit before taxation	33,165	34,425	(3.7)
Profit and total comprehensive income for the period	33,698	31,147	8.2

For the third quarter ended 30 September 2019, the Group recorded higher revenue at RM124.6 million as compared to the revenue of RM120.7 million in the preceding quarter, representing an increase of 3.2%. The higher revenue recorded in the current quarter under review was due to increase in sales from the ATE operating segments.

The following table sets out revenue breakdown by customers' segment for the Group:

	3 Months Ended 30/9/2019		3 Months Ended 30/6/2019	
	RM'000	%	RM'000	%
Telecommunications	94,966	76.2	81,724	67.7
Automotive	16,603	13.3	20,043	16.6
Consumer and industrial products	3,265	2.6	12,649	10.5
Semiconductor	9,474	7.6	5,247	4.3
Medical devices	325	0.3	645	0.5
Others	-	-	428	0.4
<b>Total</b>	<b>124,633</b>		<b>120,736</b>	

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

The Group recorded a lower profit before taxation of RM33.2 million in the current quarter as compared to the profit before taxation of RM34.4 million in the preceding quarter, representing a decrease of 3.7% mainly due to increase in staff incentive and remuneration in the current quarter under review.

Performance of the respective operating segments which includes inter-segment transactions for the third quarter ended 30 September 2019 as compared to the preceding quarter is analysed as follows:

**1) Automated test equipment**

During the three months ended 30 September 2019, revenue from the ATE segment increased by RM6.6 million to RM112.9 million as compared to the revenue of RM106.3 million achieved in the preceding quarter. The increase was mainly attributable to the (i) continuous surge in demand for the Group’s smart sensor test equipment and solutions, particularly its flagship test solutions in ambient and proximity sensors customised for the smart mobile device sector; (ii) the Group’s exposure to 3D sensing technology through its supply of flood illuminator and dot projector test equipment; and (iii) the Group’s increasing exposure to the automotive sector from the delivery of its test equipment for automotive power device and power management. This segment achieved a lower profit before taxation of RM29.5 million as compared to RM33.3 million in preceding quarter mainly attributable to increase in staff incentive and remuneration.

**2) Factory automation solutions**

Revenue from this segment in the current quarter was RM4.5 million lower against revenue of RM21.5 million in the preceding quarter. This was mainly due to lower delivery of the Group’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing System) solutions as well as its integrated manufacturing solutions and modules that caters for a wide spectrum of customers in various industries. This segment recorded lower profit before taxation of RM3.8 million in the current quarter due to lower revenue generated during the quarter.

**3) Smart control solution system**

Revenue from this segment was RM0.3 million lower than the preceding quarter. Due to lower revenue in the current quarter, this segment recorded a loss before taxation of RM0.3 million similar to loss before taxation recorded in the preceding quarter.

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**16 Prospect**

Based on the unaudited third quarterly results for the nine months ended 30 September 2019, the Group expects to end its financial year 2019 commendably despite the current challenging and volatile market situation in which the Group operates in. Going forward, the management anticipates positive business momentum mainly driven by (i) the increasing complexity and wider adoption of smart sensors; (ii) the prevalence of 3D sensing technology and the Group’s broadening exposure in the optical and optoelectronics segments; (iii) the expansion in the FAS market given the prevalence of Industry 4.0; and (iv) the Group’s continuous diversification and expansion into new segments particularly the automotive and medical industries. The Group’s recent announcement on its acquisition of TP Concept Sdn. Bhd., a medical equipment provider, is a clear indication of the Group’s proactive plan in broadening its exposure in the growing medical device segment.

The Group remains fundamentally focused on its operational capabilities and remains committed in creating value for its stakeholders such as hiring and retaining good employees while generating good returns to its shareholders and contributing positively to the community where it operates in. As it is, the Group is proud and honoured to be once again acknowledged by the capital market and the financial industry in Malaysia for its financial performance, where the Group was awarded the “Highest Growth in Profit After Tax Over Three Years” and “Highest Returns to Shareholders Over Three Years” for the technology sector in THE EDGE’s Billion Ringgit Club (“BRC”) award 2019.

**17 Profit Forecast or Profit Guarantee**

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

**18 Taxation**

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

	<b>Current Quarter</b>	<b>Current Year to Date</b>
	<b>RM’000</b>	<b>RM’000</b>
Income tax payable	(533)	5,156

The effective tax rate is lower than the statutory tax rate as certain subsidiaries of the Group have been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Industrial Development Authority which exempts 100% of statutory income in relation to production of certain products and solutions.

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**19 Changes in the Composition of the Group**

- (i) On 26 September 2019, the Group entered into a sale and purchase agreement with all the existing shareholders of TP to acquire 100% equity interest in TP comprising 250,000 ordinary shares each fully paid up at a consideration of RM21,000,000. The conditions for completion of the sale and purchase agreement have been fulfilled and the Acquisition was completed on 27 September 2019. For further details, please refer to the announcements of the Company dated 26 September 2019 and 27 September 2019 respectively.
- (ii) During the quarter under review, the Company had acquired and disposed the ordinary shares of its subsidiary company, Pentamaster International Limited (“PIL”), as follows:

Date	Number of Shares Acquired / (Disposed)	Average Price (HKD)	Cost of Acquisition / (Disposal) (HKD)	% of Issued Voting Shares Held After Acquisition / Disposal
2/7/2019	2,460,000	0.8795	2,163,570.0	63.25
3/7/2019	5,600,000	0.9187	5,144,720.0	63.60
5/7/2019	900,000	0.9927	893,430.0	63.66
8/7/2019	4,324,000	1.0351	4,475,772.0	63.93
9/7/2019	3,312,000	1.0626	3,519,331.2	64.13
15/7/2019	2,152,000	1.0858	2,336,641.6	64.27
16/7/2019	(3,000,000)	1.1200	(3,360,000.0)	64.08
19/8/2019	(15,748,000)	1.3900	(21,889,720.0)	63.10
26/8/2019	5,816,000	1.3703	7,969,664.8	63.46
27/8/2019	1,656,000	1.3944	2,309,126.4	63.56
30/8/2019	2,040,000	1.3974	2,850,696.0	63.69
2/9/2019	1,308,000	1.3968	1,827,014.4	63.77
3/9/2019	3,024,000	1.3678	4,136,227.2	63.96
16/9/2019	(4,000,000)	1.6225	(6,490,000.0)	63.71

The ordinary shares of PIL is traded on the Main Board of The Stock Exchange of Hong Kong Limited.

Except for the above, there were no changes in the composition of the Group during the quarter under review.

**20 Corporate Proposals**

There were no corporate proposals announced but not completed as at the date of this announcement.



**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**21 Status of Utilisation of Proceeds Raised From Any Corporate Proposal**

**1) Share Award Scheme**

The utilisation of proceeds of RM29.5 million raised from the share award scheme, in conjunction with the Listing Exercise of PIL, as at the end of the reporting quarter is as follows:

<b>Purpose</b>	<b>Proposed Utilisation (RM'000)</b>	<b>Gross Proceeds Received (RM'000)</b>	<b>Actual Utilisation (RM'000)</b>	<b>Intended Timeframe for Utilisation</b>	<b>Balance (RM'000)</b>
Payment of staff salaries and benefits	4,500	4,500	4,500	Within one (1) year	-
Purchase of raw materials such as sensors, control panels, input/output control and computer field bus system and other services such as subcontracting work	20,000	20,000	952	Within two (2) years	19,048
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
<b>Total</b>	<b>29,500</b>	<b>29,500</b>	<b>10,452</b>		<b>19,048</b>

**2) Listing Exercise of PIL**

The utilisation of proceeds of RM87.1 million from the offer for sale of PIL shares by the Company, in conjunction with the Listing Exercise of PIL, as at the end of the reporting quarter is as follows:

<b>Purpose</b>	<b>Proposed Utilisation</b>		<b>Gross Proceeds Received<sup>(2)</sup> (RM'000)</b>	<b>Actual Utilisation (RM'000)</b>	<b>Intended Timeframe for Utilisation</b>	<b>Balance (RM'000)</b>
	<b>Minimum Scenario<sup>(1)</sup> (RM'000)</b>	<b>Maximum Scenario<sup>(1)</sup> (RM'000)</b>				
Business expansion through investment and acquisition	33,972	37,775	32,741	-	Within two (2) years	32,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	9,089	Within five (5) years	19,559
Working capital	21,172	23,549	20,405	20,405	Within five (5) years	-
Defray estimated expenses in relation to Listing Exercise, bonus issue and share split, collectively	5,508	5,508	5,306	5,306	Within six (6) months	-
<b>Total</b>	<b>90,378</b>	<b>99,891</b>	<b>87,100</b>	<b>34,800</b>		<b>52,300</b>

*Notes:*

- (1) *The minimum and maximum scenario under the proposed utilisation was based on the indicative offer price in relation to the Listing Exercise of HKD0.95 and HKD1.05 respectively.*
- (2) *The actual gross proceeds received was based on the actual offer price in relation to the Listing Exercise of HKD1.00. The difference between the gross proceeds received and the proposed utilisation was due to the difference in the conversion rate.*

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**22 Borrowings**

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

	RM'000
<u>Short term borrowings (secured)</u>	
Finance lease liabilities	9
Term loan	345
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	
Term loan	3,108
<b>Total</b>	<b>3,462</b>

All borrowings are denominated in Ringgit Malaysia.

The finance lease liabilities are secured over the leased assets.

The term loan is secured by way of legal charge over a leasehold land of a subsidiary of the Company.

**23 Derivative Financial Instruments**

As at the date of the statement of financial position 30 September 2019, the Group has the following outstanding derivative financial instruments:

<b>Derivatives</b>	<b>Contract or Notional amount (RM'000)</b>	<b>Fair value Net gain/(loss) (RM'000)</b>	<b>Purpose</b>
Currency forward contracts: -Less than 1 year	151,898	(287)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 September 2019, 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, accounting 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.

**PENTAMASTER CORPORATION BERHAD (572307-U)**  
**(“PCB” or “Company”)**  
**Notes To The Interim Financial Report For Period ended 30 September 2019**

**24 Fair Value of Financial Liabilities**

For the quarter ended 30 September 2019, there is no fair value gain or loss on the financial liabilities. The carrying amounts of the financial liabilities as at date of the end of the statement of financial position date approximate to their fair value due to their short-term nature.

**25 Material Litigations**

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

**26 Dividends**

As at the date of this announcement, the Board of Directors (“Board”) does not recommend any dividend in respect of the quarter ended 30 September 2019.

**27 Earnings Per Share**

The calculation of basic earnings per share for the period is based on the profit and total comprehensive income attributable to owners of the Company for the quarter and the financial period divided by the weighted average number of ordinary shares in issue during the quarter and the financial period.

	<b>3 Months Ended 30/9/2019 RM'000</b>	<b>3 Months Ended 30/9/2018 RM'000</b>	<b>9 Months Ended 30/9/2019 RM'000</b>	<b>9 Months Ended 30/9/2018 RM'000</b>
Profit and total comprehensive income attributable to owners of the Company	21,480	17,108	60,586	38,281
Weighted average number of ordinary shares	474,878,099	474,878,099	474,878,099	474,878,099
Earnings per share attributable to owners of the Company (sen)	4.52	3.60	12.76	8.06

BY ORDER OF THE BOARD

**LIM KIM TECK**  
**Secretary**  
**7 November 2019**