

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 ENDED 31 MARCH 2020**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2020 (Unaudited) RM'000	31/3/2019 (Unaudited) RM'000	31/3/2020 (Unaudited) RM'000	31/3/2019 (Unaudited) RM'000
Revenue	100,109	118,760	100,109	118,760
Cost of goods sold	(66,121)	(77,655)	(66,121)	(77,655)
Gross profit	33,988	41,105	33,988	41,105
Other income	10,437	6,428	10,437	6,428
Administrative expenses	(14,908)	(12,528)	(14,908)	(12,528)
Distribution costs	(1,887)	(1,678)	(1,887)	(1,678)
Other operating expenses	(24)	(50)	(24)	(50)
Operating profit	27,606	33,277	27,606	33,277
Finance costs	(38)	(44)	(38)	(44)
Share of results of an associate	(349)	(87)	(349)	(87)
Profit before taxation	27,219	33,146	27,219	33,146
Taxation	(1,116)	(2,411)	(1,116)	(2,411)
Profit and total comprehensive income for the period	26,103	30,735	26,103	30,735
Profit and total comprehensive income for the period attributable to :				
Owners of the Company	16,771	19,564	16,771	19,564
Non-controlling interests	9,332	11,171	9,332	11,171
	26,103	30,735	26,103	30,735
Earnings per share attributable to owners of the Company (sen) :-				
- Basic and diluted	3.53	4.12	3.53	4.12

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Statement for the three months ended 31 March 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2020**

	Unaudited As at 31/3/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	87,667	85,627
Investment properties	9,923	9,948
Goodwill	4,495	4,495
Intangible assets	41,557	40,100
Investment in an associate	4,063	4,062
Other receivables, deposits and prepayments	22,427	21,460
	<u>170,132</u>	<u>165,692</u>
Current assets		
Inventories	43,552	59,458
Trade receivables	78,584	65,600
Other receivables, deposits and prepayments	21,654	21,027
Derivative financial assets	-	2,395
Tax recoverable	158	146
Cash and cash equivalents	426,229	423,251
	<u>570,177</u>	<u>571,877</u>
TOTAL ASSETS	<u><u>740,309</u></u>	<u><u>737,569</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,303	79,303
Reserves	374,070	357,299
	<u>453,373</u>	<u>436,602</u>
Non-controlling interests	162,138	159,285
Total Equity	<u>615,511</u>	<u>595,887</u>
LIABILITIES		
Non-current liabilities		
Borrowings	2,912	3,004
Deferred income	1,990	2,072
Deferred tax liabilities	5,374	5,374
Other payables, accruals and provision	5,598	5,598
	<u>15,874</u>	<u>16,048</u>
Current liabilities		
Trade payables	24,602	33,030
Other payables, accruals and provision	39,719	40,719
Contract liabilities	39,385	49,559
Derivative financial liabilities	3,017	-
Borrowings	362	358
Provision for taxation	1,839	1,968
	<u>108,924</u>	<u>125,634</u>
Total Liabilities	<u>124,798</u>	<u>141,682</u>
TOTAL EQUITY AND LIABILITIES	<u><u>740,309</u></u>	<u><u>737,569</u></u>

The unaudited Condensed Consolidated Statement of Financial Position as at 31 March 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	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 2020 (Audited)	79,303	357,299	436,602	159,285	595,887
Total comprehensive income for the period	-	16,771	16,771	9,332	26,103
<i>Transactions with owner:</i>					
Effect of changes in shareholding	-	-	-	(6,479)	(6,479)
As at 31 March 2020 (Unaudited)	<u>79,303</u>	<u>374,070</u>	<u>453,373</u>	<u>162,138</u>	<u>615,511</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 2019 (Audited)	79,303	276,934	356,237	118,220	474,457
Total comprehensive income for the period	-	19,564	19,564	11,171	30,735
As at 31 March 2019 (Unaudited)	<u>79,303</u>	<u>296,498</u>	<u>375,801</u>	<u>129,391</u>	<u>505,192</u>

The unaudited Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	3 Months ended 31/3/2020 (Unaudited) RM'000	3 Months ended 31/3/2019 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	27,219	33,146
Adjustments for:		
Amortisation of intangible assets	195	186
Deferred income released	(82)	(144)
Depreciation	1,122	860
Expected credit loss on receivables-addition	249	-
Expected credit loss on receivables-reversal	(670)	-
Bad debts written off	2	-
Interest expense	38	44
Interest income	(2,692)	(2,099)
Loss/(gain) from changes in fair value of foreign currency forward contracts	5,412	(4,192)
Inventory written downs - addition	245	20
Inventory written downs - reversal	(43)	(8)
Share of results of an associate	349	87
Unrealised (gain)/loss on foreign exchange	(6,519)	2,256
Operating profit before working capital changes	<u>24,825</u>	<u>30,156</u>
Decrease in inventories	15,703	13,526
(Increase)/decrease in receivables	(10,129)	18,684
Decrease in payables	(9,446)	(8,467)
(Decrease)/increase in contract liabilities	(10,173)	3,235
Cash generated from operations	<u>10,780</u>	<u>57,134</u>
Interest paid	(38)	(44)
Tax paid	(1,258)	(1,637)
Net cash generated from operating activities	<u>9,484</u>	<u>55,453</u>
Cash flows from investing activities		
Interest received	2,692	2,099
Investment in a subsidiary	(6,479)	-
Purchase of property, plant and equipment	(3,136)	(1,997)
Purchase of intangible assets	(1,652)	(668)
Investment in an associate	(350)	(700)
Net cash used in investing activities	<u>(8,925)</u>	<u>(1,266)</u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	3 Months ended 31/3/2020 (Unaudited) RM'000	3 Months ended 31/3/2019 (Unaudited) RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	-	(48)
Repayment of term loan	<u>(88)</u>	<u>(82)</u>
Net cash used in financing activities	<u>(88)</u>	<u>(130)</u>
Net increase in cash and cash equivalents	471	54,057
Effect of foreign exchange rate changes	2,507	(1,778)
Cash and cash equivalents at the beginning of the period	<u>423,251</u>	<u>324,653</u>
Cash and cash equivalents at the end of the period	<u><u>426,229</u></u>	<u><u>376,932</u></u>

The unaudited Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 31 March 2020

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 31 March 2020 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 2019.

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 2019, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) that are effective for annual period beginning on or after 1 January 2020:

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*¹

Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*¹

Amendments to MFRS 101 and MFRS 108 *Definition of Material*¹

MFRS 17 *Insurance Contracts*²

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*³

Amendments to MFRS 3 *Definition of a Business*⁴

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period 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 2019 was not subject to any qualification.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“PCB” or “Company”)

Notes To The Interim Financial Report For Period ended 31 March 2020

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

There were no contingent liabilities for the Group since 31 December 2019 up to 31 March 2020.

9 Capital Commitments

	Amount
	RM'000
Contracted but not provided for: - Property, plant and equipment	2,500

10 Related Party Transaction

There was no related party transaction for the Group since 31 December 2019 up to 31 March 2020.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 31 March 2020

11 Segmental Information

Results for the period ended 31 March 2020

	Automated test equipment	Factory automation solutions	Smart control solutions system	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	66,226	33,814	69		100,109
Inter-segment revenue	1,479	413	5	(1,897)	-
Total revenue	67,705	34,227	74		100,109
Results					
Segment results	19,280	4,912	(300)	1,022	24,914
Interest income	1,792	54	1	845	2,692
Interest expense	(38)	-	-	-	(38)
Share of results of an associate	-	-	-	(349)	(349)
Profit/(loss) before taxation	21,034	4,966	(299)		27,219
Taxation	(1,111)	(5)	-		(1,116)
Profit/(loss) after taxation	19,923	4,961	(299)		26,103

Results for the period ended 31 March 2019

	Automated test equipment	Factory automation solutions	Smart control solutions system	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	99,361	17,309	2,090	-	118,760
Inter-segment revenue	2,868	354	14	(3,236)	-
Total revenue	102,229	17,663	2,104		118,760
Results					
Segment results	31,377	2,247	(212)	(2,234)	31,178
Interest income	1,040	91	-	968	2,099
Interest expense	(44)	-	-	-	(44)
Share of results of an associate	-	-	-	(87)	(87)
Profit/(loss) before taxation	32,373	2,338	(212)		33,146
Taxation	(2,394)	(17)	-		(2,411)
Profit/(loss) after taxation	29,979	2,321	(212)		30,735

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 31 March 2020

12 Profit Before Taxation

	Current Quarter	Current Year to Date
	RM'000	RM'000
Profit before taxation is arrived at after crediting/(charging):		
Depreciation and amortisation	(1,235)	(1,235)
Gain on foreign exchange		
-realised	1,095	1,095
-unrealised	6,519	6,519
Loss from changes in fair value of foreign currency forward contracts	(5,412)	(5,412)
Gain on disposal of property, plant and equipment	-	-
Interest income	2,692	2,692
Interest expense	(38)	(38)
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Investment income	-	-
Inventory written off	-	-
Inventory written downs – addition	(245)	(245)
Inventory written downs – reversal	43	43
Expected credit loss on receivables-addition	(249)	(249)
Expected credit loss on receivables-reversal	670	670
Bad debt written off	(2)	(2)

13 Events Subsequent to the End of the Period

The outbreak of novel coronavirus (COVID-19) remains a global pandemic phenomenon that escalated too quickly resulting in significant business and social impact to the global population. This has certainly affected the Group’s operations, ranging from supply chain issues to delayed project delivery timeline of the Group’s products and solutions for its customers.

As part of the public health response, the Government of Malaysia (the “Government”) had announced on 16 March 2020, an imposition of Movement Control Order (“MCO”) from 18 March 2020 to 31 March 2020 to contain the coronavirus pandemic (“COVID-19”) infection in Malaysia. On 25 March 2020, 10 April 2020, 23 April 2020 and 10 May 2020, the Government announced the further extension of the MCO to 14 April 2020, 28 April 2020, 12 May 2020 and 9 June respectively. The MCO, imposes, among others, a ban on mass gatherings, travel ban and closure of all Government and private premises except for those involved in the provision of essential services during the MCO period. On 1 May 2020, the Government announced a partial easing of the MCO to allow almost all economic sectors and businesses to reopen on 4 May 2020 subject to strict conditions and standard operating procedures in addition to prohibition involving mass social gatherings.

PENTAMASTER CORPORATION BERHAD (572307-U)**(“PCB” or “Company”)****Notes To The Interim Financial Report For Period ended 31 March 2020**

In accordance with the Guidelines issued by the International Trade and Industry Ministry (“MITI”), between 18 March 2020 to 28 April 2020, the Group is allowed to operate subject to certain preventive measures such as maintaining only 50% of the workforce in the production plants or half the capacity. On 29 April 2020, the Group resume 100% of the workforce in the production plants or full capacity in conjunction with the announcement by MITI on 28 April 2020 where the economic sectors operating at half the capacity prior to 29 April 2020, are allowed to carry on business at full capacity from 29 April 2020. While the relaxation has been welcomed by the Group, and given the virus remains massively contagious, the Group has continued to implement preventive measures for the safety and benefit of its employees in accordance to the Standard Operating Procedures outlined by the Government.

14 Review of Performance

	Individual Quarter 3 Months Ended		
	31/3/2020	31/3/2019	Variance
	RM’000	RM’000	%
Revenue	100,109	118,760	-15.7
Operating profit	27,606	33,277	-17.0
Profit before taxation	27,219	33,146	-17.9
Profit and total comprehensive income for the year	26,103	30,735	-15.1

The Group recorded lower revenue at RM100.1 million in the current quarter as compared to RM118.8 million registered in the corresponding quarter last year, representing a decrease of 15.7%. The lower revenue recorded was the result of travelling restriction imposed from the COVID-19 situation that affected the Group’s project delivery schedule and site installation of the automated test equipment (“ATE”) operating segment.

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

	Individual Quarter and Cumulative Period 3 Months Ended			
	31/3/2020		31/3/2019	
	RM’000	%	RM’000	%
Telecommunications	43,320	43.3	75,112	63.2
Consumer and industrial products	19,243	19.2	15,076	12.7
Automotive	17,662	17.6	11,693	9.8
Medical devices	12,476	12.5	47	0.0
Semiconductor	7,339	7.3	14,742	12.4
Others	69	0.1	2,090	1.8
Total	100,109		118,760	

Due to lower revenue achieved during the three months ended 31 March 2020, the Group consequently recorded a lower profit before taxation of RM27.2 million in the current quarter as compared to the profit before taxation of RM33.1 million in the previous corresponding quarter, representing a decrease of 17.9%.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“PCB” or “Company”)

Notes To The Interim Financial Report For Period ended 31 March 2020

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 a decrease in revenue by RM34.5 million or 33.8% to RM67.7 million in the current quarter as compared to the previous corresponding quarter last year. The drop in revenue under the ATE segment for the financial period ended 31 March 2020 was the result of travelling restriction imposed from the COVID-19 situation that affected the Group’s project delivery schedule and site installation. The consequence of such situation was the impediment of timely revenue recognition by the Group during the quarter. However, in 1Q2020, the delivery of the Group’s test equipment and solutions caters for a more diverse end market application and industry base, spanning across the automotive segment, 5G infrastructure as well as broader 3D sensing portfolio within the telecommunications segment. This is in addition to the Group’s flagship test solutions in ambient and proximity sensors. Taking into account the diversity and exposure of the Group in a wider industry segments with its technology advancements, the Group’s ATE segment is expected to witness better momentum going forward barring any further disruption from the current COVID-19 pandemic.

As a result of lower revenue achieved, this segment recorded lower profit before taxation by RM11.4 million or 35.2% in the current quarter under review as compared to profit before taxation of RM32.4 million in the corresponding quarter last year.

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 RM34.2 million in the current quarter as compared to revenue of RM17.7 million in the corresponding quarter last year, representing increase of approximately 93.2%. The increase in revenue from the FAS segment during the financial period ended 31 March 2020 as compared to the financial period ended 31 March 2019 was mainly due to the effect of contribution from TP Concept Sdn. Bhd., which the Group acquired in September 2019. Additionally, this segment also witnessed a higher demand for the Group’s i-ARMS (intelligent automated robotic manufacturing system) solutions from the automotive segment and the consumer and industrial products segment.

Due to higher revenue, the Group recorded higher profit before taxation by RM2.7 million in the current quarter under review as compared to profit before taxation of RM2.3 million representing an increase of 117.4% mainly due to better product mix.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 31 March 2020

3) Smart control solution system

The products and solutions in this segment entail project management, smart building solutions and trading of materials.

The smart control solution system segment recorded revenue of RM0.1 million in the current quarter as compared to revenue of RM2.1 million in the corresponding quarter last year. This segment recorded a loss before taxation of RM0.3 million in the current quarter as compared to loss before taxation of RM0.2 million in the corresponding quarter last year. While the i-HUB solution has yet to contribute positively to this segment pending the finalization of its modular system, the Group has continued to implement effective cost management for this segment.

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

	3 Months Ended	3 Months Ended	Variance
	31/3/2020	31/12/2019	
	RM'000	RM'000	%
Revenue	100,109	125,977	-20.5
Operating profit	27,606	38,624	-28.5
Profit before taxation	27,219	38,161	-28.7
Profit and total comprehensive income for the period	26,103	35,518	-26.5

For the first quarter ended 31 March 2020, the Group recorded lower revenue at RM100.1 million as compared to the revenue of RM126.0 million in the preceding quarter, representing a decrease of 20.5%. The lower revenue recorded in the current quarter under review was due to decrease in sales from the ATE operating segment as a result of travelling restriction imposed from the COVID-19 situation that affected the Group's project delivery schedule and site installation.

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

	3 Months Ended		3 Months Ended	
	31/3/2020		31/12/2019	
	RM'000	%	RM'000	%
Telecommunications	43,320	43.3	85,591	67.9
Consumer and industrial products	19,243	19.2	5,510	4.4
Automotive	17,662	17.6	22,079	17.5
Medical devices	12,476	12.5	7,265	5.8
Semiconductor	7,339	7.3	5,032	4.0
Others	69	0.1	500	0.4
Total	100,109		125,977	

The Group recorded a lower profit before taxation of RM27.2 million in the current quarter as compared to the profit before taxation of RM38.2 million in the preceding quarter, representing a decrease of 28.7% mainly due to contraction in the gross profit margin as a result of lesser economies of scale from lower sales achieved during the quarter.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 31 March 2020

Performance of the respective operating segments which includes inter-segment transactions for the first quarter ended 31 March 2020 as compared to the preceding quarter is analysed as follows:

1) Automated test equipment

During the three months ended 31 March 2020, revenue from the ATE segment decreased by RM42.1 million to RM67.7 million as compared to the revenue of RM109.8 million achieved in the preceding quarter. The decrease was mainly due to travelling restriction imposed from the COVID-19 situation that affected the Group’s project delivery schedule and site installation. This segment achieved a lower profit before taxation of RM21.0 million as compared to RM39.7 million in preceding quarter mainly due to contraction in the gross profit margin as a result of lesser economies of scale from lower sales achieved during the quarter.

2) Factory automation solutions

Revenue from this segment in the current quarter increased by RM6.1 million against revenue of RM28.1 million in the preceding quarter. This was mainly due to higher demand for the Group’s i-ARMS (intelligent automated robotic manufacturing system) solutions from the automotive segment and the consumer and industrial products segment. On the other hand, this segment recorded higher profit before taxation of RM4.6 million in the current quarter as a result of favorable changes in product mix resulting in better profit margin per project delivered during the quarter under review.

3) Smart control solution system

Revenue from this segment decreased by RM0.4 million as compared to the preceding quarter. Despite recording lower revenue in the current quarter, this segment recorded a loss before taxation of RM0.3 million compare to loss before taxation of RM0.8 million recorded in the preceding quarter due to higher operating costs in the preceding quarter.

16 Prospect

With the COVID-19 pandemic that escalated rapidly across the world with much uncertainty and disruptions, the Group expects 2020 to be a challenging year. With the MCO imposed by the Government since 18 March 2020 as part of the COVID-19 containment measures, and the prior and subsequent lockdowns imposed by the respective governments across the world, this has greatly disrupted and delayed the project delivery timeline of the Group’s products and solutions for its customers. While the Group has witnessed the gradual relaxation of the MCO in Malaysia and in other countries as at the date of this announcement, the resumption of production normalisation would take time and the Group strives to recover the lost capacity in project delivery as soon as practicable through productivity improvement, supply chain diversification and increased workforce capacity.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“PCB” or “Company”)

Notes To The Interim Financial Report For Period ended 31 March 2020

However, putting aside the current pandemic which is beyond the Group’s control, the Group strongly believes in its fundamentals with its broadening exposure in segments within the technology sector with the right opportunities. This includes (i) optoelectronics ecosystem and 3D sensing technology within the telecommunications sector, (ii) automotive sectors with the proliferation of electric vehicle and the electrification in the car industry, (iii) medical sectors, and (iv) consumer and industrial products segment with the wider adoption of robotics and automation.

The Group will continue to seek potential opportunities besides leveraging on its technology and know-how to move itself upwards along the technology value chain and gain deeper market traction. The Group will also remain constructive in creating value and returns to its shareholders, and remain steadfast in its business strategies and plans.

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:

	Current Quarter	Current Year to Date
	RM’000	RM’000
Income tax payable	1,116	1,116

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 31 March 2020

19 Changes in the Composition of the Group

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)	% of Issued Voting Shares Held After Acquisition / Disposal
2/3/2020	1,000,000	1.6854	63.77
12/3/2020	1,000,000	1.3849	63.84
16/3/2020	3,000,000	1.1039	64.02
17/3/2020	400,000	0.9943	64.05
18/3/2020	5,000,000	0.9641	64.36

(Source: The Hong Kong Exchanges and Clearing Limited - Disclosure of Interest Online System (DION))

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

The Company had on 5 March 2020, announced that the Company is proposing to undertake a bonus issue of up to 237,439,049 new ordinary shares in the Company (“Bonus Shares”) on the basis of one (1) Bonus Share for every two (2) existing ordinary shares in the Company held on an entitlement date to be determined and announced later (“Proposed Bonus Issue”). The Proposed Bonus Issue is conditional upon obtaining shareholders’ approval at the upcoming adjourned Extraordinary General Meeting to be held on 3 June 2020.

Except for the above mentioned proposal, 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 31 March 2020

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:

Purpose	Proposed Utilisation (RM'000)	Gross Proceeds Received (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Balance (RM'000)
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	1,856	Within five (5) years	18,144
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
Total	29,500	29,500	11,356		18,144

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:

Purpose	Proposed Utilisation		Gross Proceeds Received⁽²⁾ (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Balance (RM'000)
	Minimum Scenario⁽¹⁾ (RM'000)	Maximum Scenario⁽¹⁾ (RM'000)				
Business expansion through investment and acquisition	33,972	37,775	32,741	-	Within five (5) 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	-
Total	90,378	99,891	87,100	34,800		52,300

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 31 March 2020

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	-
Term loan	362
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	-
Term loan	2,912
Total	3,274

All borrowings are denominated in Ringgit Malaysia.

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 31 March 2020, the Group has the following outstanding derivative financial instruments:

Derivatives	Contract or Notional amount (RM'000)	Fair value Net gain/(loss) (RM'000)	Purpose
Currency forward contracts: -Less than 1 year	174,091	(3,017)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 31 March 2020, 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 31 March 2020

24 Fair Value of Financial Liabilities

For the quarter ended 31 March 2020, 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

On 27 February 2020, the Directors recommended a final single tier dividend of RM0.015 per ordinary share amounting to approximately RM7.1 million in respect of the financial year ended 31 December 2019 (2018: Nil). The dividend is subject to shareholders’ approval at the forthcoming Annual General Meeting and the entitlement date will be fixed and announced in due course.

As at the date of this announcement, the Board of Directors (“Board”) does not recommend any dividend in respect of the quarter ended 31 March 2020.

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 year divided by the weighted average number of ordinary shares in issue during the quarter and the financial year.

	3 Months Ended 31/3/2020 RM'000	3 Months Ended 31/3/2019 RM'000
Profit and total comprehensive income attributable to owners of the Company	16,771	19,564
Weighted average number of ordinary shares	474,878,099	474,878,099
Earnings per share attributable to owners of the Company (sen)	3.53	4.12

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
15 May 2020