

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 SIX MONTHS ENDED 30 JUNE 2020**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/6/2020 (Unaudited) RM'000	30/6/2019 (Unaudited) RM'000	30/6/2020 (Unaudited) RM'000	30/6/2019 (Unaudited) RM'000
Revenue	103,024	120,736	203,133	239,496
Cost of goods sold	(66,278)	(77,050)	(132,399)	(154,704)
Gross profit	36,746	43,686	70,734	84,792
Other income	4,694	4,366	11,928	9,606
Administrative expenses	(10,417)	(11,634)	(22,122)	(22,974)
Distribution costs	(1,935)	(1,741)	(3,822)	(3,419)
Other operating expenses	(16)	(148)	(40)	(198)
Operating profit	29,072	34,529	56,678	67,807
Finance costs	(37)	(65)	(75)	(108)
Share of results of an associate	(321)	(39)	(670)	(126)
Profit before taxation	28,714	34,425	55,933	67,573
Taxation	(2,249)	(3,278)	(3,365)	(5,689)
Profit and total comprehensive income for the period	26,465	31,147	52,568	61,884
Profit and total comprehensive income for the period attributable to :				
Owners of the Company	17,011	19,540	33,782	39,106
Non-controlling interests	9,454	11,607	18,786	22,778
	26,465	31,147	52,568	61,884
Earnings per share attributable to owners of the Company (sen) :				
- Basic and diluted	3.58	4.11	7.11	8.23

The unaudited condensed consolidated statement of profit or loss and other comprehensive income statement for the three months and six months ended 30 June 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 30 JUNE 2020**

	Unaudited As at 30/6/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	87,160	85,627
Investment properties	9,898	9,948
Goodwill	4,495	4,495
Intangible assets	42,316	40,100
Investment in an associate	5,093	4,062
Other receivables, deposits and prepayments	28,343	21,461
	<u>177,305</u>	<u>165,693</u>
Current assets		
Inventories	43,085	59,458
Trade receivables	89,376	65,600
Other receivables, deposits and prepayments	29,875	21,027
Derivative financial assets	-	2,395
Tax recoverable	156	146
Cash and cash equivalents	431,303	423,251
	<u>593,795</u>	<u>571,877</u>
TOTAL ASSETS	<u><u>771,100</u></u>	<u><u>737,570</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,303	79,303
Reserves	390,573	357,298
	<u>469,876</u>	<u>436,601</u>
Non-controlling interests	<u>166,799</u>	<u>159,285</u>
Total Equity	<u><u>636,675</u></u>	<u><u>595,886</u></u>
LIABILITIES		
Non-current liabilities		
Borrowings	2,819	3,004
Deferred income	1,909	2,072
Deferred tax liabilities	5,374	5,374
Other payables, accruals and provision	5,598	5,598
	<u>15,700</u>	<u>16,048</u>
Current liabilities		
Trade payables	51,086	33,032
Other payables, accruals and provision	39,171	40,719
Contract liabilities	18,946	49,559
Dividend payable	4,793	-
Derivative financial liabilities	1,600	-
Borrowings	366	358
Provision for taxation	2,763	1,968
	<u>118,725</u>	<u>125,636</u>
Total Liabilities	<u><u>134,425</u></u>	<u><u>141,684</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>771,100</u></u>	<u><u>737,570</u></u>

The unaudited condensed consolidated statement of financial position as at 30 June 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 SIX MONTHS ENDED 30 JUNE 2020

Equity attributable to owners of the Company

	Share capital	Shares held for share award scheme	Retained profits	Total	Non- controlling Interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020 (Audited)	79,303	-	357,298	436,601	159,285	595,886
Total comprehensive income for the period	-	-	33,782	33,782	18,786	52,568
<i>Transactions with owners:</i>						
Effect of changes in shareholding	-	-	-	-	(6,479)	(6,479)
Dividend to non-controlling interests	-	-	-	-	(4,793)	(4,793)
Purchase of shares for share award scheme		(507)	-	(507)	-	(507)
As at 30 June 2020 (Unaudited)	<u>79,303</u>	<u>(507)</u>	<u>391,080</u>	<u>469,876</u>	<u>166,799</u>	<u>636,675</u>

Equity attributable to owners of the Company

	Share capital	Shares held for share award scheme	Retained profits	Total	Non- controlling Interests	Total equity
	RM'000	RM'000	RM'000	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	-	-	39,106	39,106	22,778	61,884
<i>Transaction with owners:</i>						
Dividend to non-controlling interests	-	-	-	-	(4,738)	(4,738)
As at 30 June 2019 (Unaudited)	<u>79,303</u>	<u>-</u>	<u>316,040</u>	<u>395,343</u>	<u>136,260</u>	<u>531,603</u>

The unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 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 SIX MONTHS ENDED 30 JUNE 2020**

	6 Months ended 30/6/2020 (Unaudited) RM'000	6 Months ended 30/6/2019 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	55,933	67,573
Adjustments for:		
Amortisation of intangible assets	400	369
Deferred income released	(163)	(157)
Depreciation	2,256	1,774
Gain on disposal of property, plant & equipment	-	(14)
ECL allowance on trade receivables	4	2,098
Bad debts written off	2	-
Interest expense	75	108
Interest income	(5,031)	(4,744)
Loss/(gain) from changes in fair value of foreign currency forward contracts	3,995	(4,683)
Inventory written downs - addition	252	2,380
Inventory written downs - reversal	(1,302)	(404)
Share of results of an associate	670	126
Unrealised (gain)/loss on foreign exchange	(4,656)	1,070
Operating profit before working capital changes	<u>52,435</u>	<u>65,496</u>
Decrease in inventories	17,423	37,955
Increase in receivables	(37,169)	(7,042)
Increase / (decrease) in payables	16,578	(4,424)
Decrease in contract liabilities	(30,613)	(4,326)
Cash generated from operations	<u>18,654</u>	<u>87,659</u>
Interest paid	(75)	(108)
Tax paid	(2,589)	(2,800)
Tax refund	9	388
Net cash generated from operating activities	<u>15,999</u>	<u>85,139</u>
Cash flows from investing activities		
Interest received	5,031	4,744
Investment in a subsidiary	(6,479)	-
Purchase of property, plant and equipment	(3,739)	(4,276)
Purchase of intangible assets	(2,616)	(3,944)
Proceed from disposal of property, plant and equipment	-	24
Investment in an associate	(1,700)	(700)
Net cash used in investing activities	<u>(9,503)</u>	<u>(4,152)</u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
 FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	6 Months ended 30/6/2020 (Unaudited) RM'000	6 Months ended 30/6/2019 (Unaudited) RM'000
Cash flows from financing activities		
Payment of finance lease liabilities	-	(61)
Repayment of term loan	(177)	(143)
Purchase of shares for share award scheme	(507)	-
Net cash used in financing activities	<u>(684)</u>	<u>(204)</u>
Net increase in cash and cash equivalents	5,812	80,783
Effect of foreign exchange rate changes	2,240	(934)
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>431,303</u></u>	<u><u>404,502</u></u>

The unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 30 June 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 30 June 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:

Amendments to MFRS 3 *Definition of a Business*
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*
Amendments to MFRS 101 and MFRS 108 *Definition of Material*
Conceptual Framework Amendments to References to the Conceptual Framework in MFRS Standards

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: -

Amendments to MFRS16 *Covid-19-Related Rent Concessions*¹
MFRS 17 *Insurance Contracts*²
Amendments to MFRS 3 *Reference to the Conceptual Framework*³
Amendments to MFRS 116 *Property, Plant and Equipment – Proceeds before Intended Use*³
Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*³
Annual Improvements to MFRS Standards 2018 – 2020³
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*³
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor And its Associate or Joint Venture*⁴

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

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

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective date not yet determined

The Group is in the process of making an assessment of the impact of these new and amended MFRSs upon initial application and anticipates that such application will have no material impact on the results and financial position of the Group.

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)
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Notes To The Interim Financial Report For Period ended 30 June 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 30 June 2020.

9 Capital Commitments

	Amount
	RM'000
Contracted but not provided for: - Property, plant and equipment	5,321

10 Related Party Transaction

There was no related party transaction for the Group since 31 December 2019 up to 30 June 2020.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 30 June 2020

11 Segmental Information

The Group has two reportable segments which comprised its major business segments. These business segments are involved in different activities and are managed by segment managers who report directly to the Group’s executive directors. The reportable segments are as follows:

- (i) Automated test equipment (“ATE”): Designing, development and manufacturing of standard and non-standard automated equipment;
- (ii) Factory automation solutions (“FAS”): Designing, development and installation of integrated automated manufacturing solutions
- (iii) Smart control solutions system: Project management, smart building solutions and trading of materials.

Inter-segment transactions have been accounted for on a basis that is consistent with the Group’s accounting policies. No other operating segments have been aggregated to form the above reportable segments. Investment holding activities are not considered as reporting segment and the related financial information has been included under “Adjustment”

Results for the period ended 30 June 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	136,762	66,302	69		203,133
Inter-segment revenue	1,688	851	5	(2,544)	-
Total revenue	138,450	67,153	74		203,133
Results					
Segment results	43,826	8,568	(631)	(116)	51,647
Interest income	3,353	114	1	1,563	5,031
Interest expense	(75)	-	-		(75)
Share of results of an associate	-	-	-	(670)	(670)
Profit/(loss) before taxation	47,104	8,682	(630)		55,933
Taxation	(3,330)	(35)	-		(3,365)
Profit/(loss) after taxation	43,774	8,647	(630)		52,568

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 30 June 2020

Results for the period ended 30 June 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	201,749	35,230	2,517		239,496
Inter-segment revenue	6,827	3,932	14	(10,773)	-
Total revenue	208,576	39,162	2,531		239,496
Results					
Segment results	63,203	4,397	(512)	(4,025)	63,063
Interest income	2,559	220	-	1,965	4,744
Interest expense	(108)	-	-		(108)
Share of results of an associate	-	-	-	(126)	(126)
Profit/(loss) before taxation	65,654	4,617	(512)		67,573
Taxation	(5,661)	(28)	-		(5,689)
Profit/(loss) after taxation	59,993	4,589	(512)		61,884

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	(1,258)	(2,493)
Gain/(loss) on foreign exchange -realised	774	1,870
-unrealised	(1,864)	4,656
Gain/(loss) from changes in fair value of foreign currency forward contracts	1,417	(3,995)
Gain on disposal of property, plant and equipment	-	-
Interest income	2,339	5,031
Interest expense	(37)	(75)
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Investment income	-	-
Inventory written off	-	-
Inventory written downs – addition	(7)	(252)
Inventory written downs – reversal	1,259	1,302
Expected credit loss on receivables, net	(417)	4
Bad debt written off, net	-	2

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 30 June 2020

13 Events Subsequent to the End of the Period

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

14 Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Financial Period Ended		
	30/6/2020	30/6/2019	Variance	30/6/2020	30/6/2019	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	103,024	120,736	-14.7	203,133	239,496	-15.2
Operating profit	29,072	34,529	-15.8	56,678	67,807	-16.4
Profit before taxation	28,714	34,425	-16.6	55,933	67,573	-17.2
Profit and total comprehensive income for the period	26,465	31,147	-15.0	52,568	61,884	-15.1

The Group recorded lower revenue at RM103.0 million in the current quarter as compared to RM120.7 million registered in the corresponding quarter last year, representing a decrease of 14.7%. For the six months ended 30 June 2020, the Group recorded revenue of RM203.1 million as compared to revenue of RM239.5 million in the six months ended 30 June 2019, representing a decrease of 15.2%. The tumultuous first half of 2020 due to the unprecedented Covid-19 pandemic has caused global technology supply chain disruption and global lockdown on cross border travelling, impacting the Group's operation and revenue. The overall lower revenue recorded was due to the drop in sales volume recognised from the ATE segment which however, was partially offset by the revenue growth from the FAS segment.

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

	Individual Quarter 3 Months Ended				Cumulative Financial Period Ended			
	30/6/2020		30/6/2019		30/6/2020		30/6/2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Telecommunications	46,547	45.1	81,724	67.7	89,867	44.2	156,837	65.5
Semiconductor	23,930	23.2	5,247	4.3	31,269	15.4	19,989	8.3
Medical devices	12,452	12.1	645	0.5	24,928	12.3	692	0.3
Automotive	10,292	10.0	20,043	16.6	27,954	13.8	31,736	13.3
Consumer and industrial products	9,803	9.6	12,649	10.5	29,046	14.3	27,725	11.6
Others	-	-	428	0.4	69	0.0	2,517	1.0
Total	103,024		120,736		203,133		239,496	

Due to lower revenue achieved during the three months ended 30 June 2020, the Group consequently recorded a lower profit before taxation of RM28.7 million in the current quarter as compared to the profit before taxation of RM34.4 million in the previous corresponding quarter, representing a decrease of 16.6%. For the six months ended 30 June 2020, the Group recorded lower profit before taxation of RM55.9 million as compared to profit before taxation of RM67.6 million in the six months ended 30 June 2019, representing a decrease of 17.2%, due to lower revenue achieved.

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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, consisting of (i) semiconductor electronic components testing for smart sensors and ICs (integrated circuits), and (ii) end products testing for consumer electronics products and LEDs, continued to contribute the larger portion of revenue and profit to the Group’s results for the first half of 2020.

This segment recorded a decrease in revenue by RM35.6 million or 33.5% to RM70.7 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 30 June 2020 was the result of the deferment of a timely revenue recognition caused by the disruption in project shipment and site installation where logistic and travelling restrictions impacted business activities of this segment. The MCO imposed by the Government of Malaysia from 18 March 2020 to 12 May 2020 as part of its effort to contain the Covid-19 pandemic has also impacted the Group’s production capacity in the second quarter where limited workforce were allowed to operate at the Group’s production premises at any one time. As the Group’s test equipment and solutions are exposed to a wider end market application and a more diverse industry base, the global technology advancement and momentum across various industries will continue to provide a growth platform for the Group’s ATE segment in the immediate term.

As a result of lower revenue achieved, this segment recorded lower profit before taxation by RM7.2 million or 21.6% in the current quarter under review as compared to profit before taxation of RM33.3 million in the corresponding quarter last year.

2) Factory automation solutions

The products and solutions in this segment entail customised integrated manufacturing system consisting of automated assembly and test modules, material handling equipment, robotics technology, auto inspection and manufacturing execution system (MES) for various industries including telecommunications, automotive, consumer and industrial products as well as medical devices.

This segment recorded revenue of RM32.9 million in the current quarter as compared to revenue of RM21.5 million in the corresponding quarter last year, representing increase of approximately 53.0%. The increase in revenue from the FAS segment during the financial period ended 30 June 2020 as compared to the financial period ended 30 June 2019 was mainly due to contribution from the newly acquired subsidiary, TP Concept Sdn. Bhd. and the sustainable demand on the Group’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing System) solutions from its consumer and industrial products segment as the adoption of industry 4.0 and artificial intelligence gained traction as part of the manufacturing sectors digital transformation.

Due to higher revenue and better product mix, the Group recorded higher profit before taxation by RM1.4 million in the current quarter under review as compared to profit before taxation of RM2.3 million representing an increase of 60.9%.

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Notes To The Interim Financial Report For Period ended 30 June 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 lower revenue in the current quarter as compared to revenue of RM0.4 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 RM0.3 million in the corresponding quarter last year.

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

	3 Months Ended 30/6/2020	3 Months Ended 31/3/2020	Variance
	RM'000	RM'000	%
Revenue	103,024	100,109	2.9
Operating profit	29,072	27,606	5.3
Profit before taxation	28,714	27,219	5.5
Profit and total comprehensive income for the period	26,465	26,103	1.4

For the second quarter ended 30 June 2020, the Group recorded higher revenue at RM103.0 million as compared to the revenue of RM100.1 million in the preceding quarter, representing an increase of 2.9%. The higher revenue recorded in the current quarter under review was due to increase in sales from the ATE operating segment.

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

	3 Months Ended 30/6/2020		3 Months Ended 31/3/2020	
	RM'000	%	RM'000	%
Telecommunications	46,547	45.1	43,320	43.3
Semiconductor	23,930	23.2	7,339	7.3
Medical devices	12,452	12.1	12,476	12.5
Automotive	10,292	10.0	17,662	17.6
Consumer and industrial products	9,803	9.6	19,243	19.2
Others	-	-	69	0.1
Total	103,024		100,109	

The Group recorded a higher profit before taxation of RM28.7 million in the current quarter as compared to the profit before taxation of RM27.2 million in the preceding quarter, representing an increase of 5.5% mainly due to better profit margin in the ATE operating segment due to better product mix.

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Notes To The Interim Financial Report For Period ended 30 June 2020

Performance of the respective operating segments which includes inter-segment transactions for the second quarter ended 30 June 2020 as compared to the preceding quarter is analysed as follows:

1) Automated test equipment

During the three months ended 30 June 2020, revenue from the ATE segment increased by RM3.0 million to RM70.7 million as compared to the revenue of RM67.7 million achieved in the preceding quarter. The increase was mainly due to higher sales volume as a result of higher project delivery from customers in the semiconductor sector. This segment achieved a higher profit before taxation of RM26.1 million as compared to RM22.7 million in preceding quarter mainly due to increase in revenue and better profit margin arising from better product mix.

2) Factory automation solutions

Revenue from this segment in the current quarter decreased by RM1.3 million against revenue of RM34.2 million in the preceding quarter. This was mainly due to lower sales volume as a result of travelling restriction imposed from the Covid-19 situation. This segment recorded lower profit before taxation of RM1.3 million in the current quarter mainly as a result of changes in product mix.

3) Smart control solution system

Revenue from this segment decreased by RM74,000 as compared to the preceding quarter. Despite recording lower revenue in the current quarter, this segment recorded a loss before taxation of RM331,000 compare to loss before taxation of RM299,000 recorded in the preceding quarter due to higher operating costs in the current quarter.

16 Prospect

The global economy has continued to be severely impacted by the Covid-19 pandemic inflicting high and rising human costs worldwide. It has been a challenging period for the Group with the Great Lockdown where throughout its history, like many other organisations, it has not been challenged by any forced operational shut down or forced restriction of operational capacity for a certain duration. Logistic and travelling restrictions imposed by countries worldwide has also led to operation disruptions for the Group that has essentially delayed its projects delivery timeline. This has impacted the Group’s financial and operating results given the Group’s business nature and its accounting treatment.

While it remains challenging to anticipate and delve into the unfamiliar world of epidemiology to better understand the impact of the outbreak in the global economy, the Group is expected to stage a positive second half 2020 recovery. Currently, the Group is now back to its current 100% workforce run-rate with an aggressive production ramp up. Additionally, the Group has also resumed cross border travelling for its project site installation, albeit on a more restricted basis.

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Against the pervasive uncertainty, the Group continues to witness several growth catalysts driving its business momentum. The demand level from customers within the telecommunications sector remains robust owing to the Group’s broadening exposure in the optoelectronics ecosystem and 3D sensing technology. With the next wave of smartphone technology encompassing a more complex architecture, such as “behind the Organic Light-Emitting Diode (OLED)” screen know-how for facial authentication, 3-dimensional light detection and ranging (3D LIDAR) on a Direct time-of-flight (DToF) platform, electromagnetic transmission radio frequency to vertical cavity surface emitting laser (VCSEL), the Group is poised to deepen and widen its engagement with its customers in supplying its highly customised test equipment and solutions to cater for such technology advancements in the telecommunications industry. Meanwhile, the Group’s automotive segment portfolio has broadened with product diversification that covers Silicon Carbide (SiC)-based solutions, insulated-gate bipolar transistor (IGBT), AC/DC power inverter in addition to the multilayer ceramic capacitors (MLCC) assembly and test handling equipment, which is mainly driven by the proliferation of electric vehicle, autonomous driving and the electrification in the car industry.

The recent incorporation of Pentamaster MediQ Sdn. Bhd. (“PDSB”) is a testament to the Group’s strong commitment in expanding its foothold in the ever-growing medical devices segment, post-acquisition of TP Concept Sdn. Bhd.. PDSB, a company which is involved in the designing and manufacturing of single-use medical devices, is to further expand the Group’s involvement in the medical sector and to further strengthen its medical design and manufacturing technology capabilities in the medical industry by leveraging on the Company’s existing platform to position itself for its next level of growth.

On a strategic level, the Group acknowledged the need to embark on opportunities for potential strategic business collaboration that are synergistic to its business in order to propel the Group to the next level. Although it is unfortunate that the progress is tempered by the Covid-19 pandemic, the Group remains steadfast in seizing and capturing opportunity from any forward-looking collaboration or investment that is highly value enhancing in supporting the Group’s long term strategic roadmap. Given the current headwinds posed by the convergence of both Covid-19 pandemic and US-China trade tension, the Group acknowledged the urgency in accelerating such strategic initiative that may potentially involve the Group to expand its presence outside of Malaysia for better customer support and supply chain diversification.

The Company has come a long way in building its business and financial position. With its current balance sheet, it provides the financial strength and foundation for the Group to withstand this testing period of economic uncertainty with the ability and agility to respond to any further adverse impact caused by the Covid-19 pandemic. As it is, the Group strongly believes the importance of remaining at the forefront of technological advancements where such competitive advantage will continue to provide the Group with an excellent platform to make good progress in capturing new market opportunities.

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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	2,249	3,365

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.

19 Changes in the Composition of the Group

During the quarter under review, there were no changes in the composition of the Group other than as disclosed below.

On 6 July 2020, the Company announced that Pentamaster International Limited, a subsidiary of the Company in which the Company holds 64.36% equity interest, has incorporated a new wholly-owned subsidiary, Pentamaster MediQ Sdn. Bhd.. The incorporation of Pentamaster MediQ Sdn. Bhd. is intended to further expand the Group’s involvement in the medical sector and to further strengthen its medical design and manufacturing technology capabilities in the medical industry by leveraging on the Group’s existing platform to position itself for its next level of growth.

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 which were subsequently approved by the shareholders during the Extraordinary General Meeting on 15 July 2020 (“Bonus Issue”).

The Bonus Issue has been completed following the listing of and quotation for the following on the Main Market of Bursa Securities on 6 August 2020.

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

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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	2,048	Within five (5) years	17,952
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
Total	29,500	29,500	11,548		17,952

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	12,593	Within five (5) years	16,055
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	38,304		48,796

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.*

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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	366
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	-
Term loan	2,819
Total	3,185

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 30 June 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	137,600	(1,600)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 June 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.

24 Fair Value of Financial Liabilities

For the quarter ended 30 June 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.

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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) which were approved by the shareholders during the Annual General Meeting on 15 July 2020 (“Dividend”). The Dividend will be paid to all the shareholders on 21 August 2020 whose names appeared in the Records of Depositors of the close of business on 3 August 2020. The financial statements for the quarter ended 30 June 2020 does not reflect the Dividend and such Dividend will be accounted for in the month it was approved by the shareholders.

The Board of Directors does not recommend any dividend in respect of the quarter ended 30 June 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 30/6/2020 RM'000	3 Months Ended 30/6/2019 RM'000	6 Months Ended 30/6/2020 RM'000	6 Months Ended 30/6/2019 RM'000
Profit and total comprehensive income attributable to owners of the Company	17,011	19,540	33,782	39,106
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)	3.58	4.11	7.11	8.23

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
14 August 2020