

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2017

	Individual Quarter		Cumulative Year	
	3 Months Ended		Financial Period Ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	RM'000	RM'000	RM'000	RM'000
Revenue	54,811	38,848	102,383	67,447
Cost of goods sold	(37,215)	(26,590)	(71,772)	(46,614)
Gross profit	<u>17,596</u>	<u>12,258</u>	<u>30,611</u>	<u>20,833</u>
Other income	426	376	845	700
Administrative expenses	(5,028)	(3,080)	(8,257)	(7,016)
Distribution costs	(1,151)	(944)	(1,942)	(1,597)
Other expenses	(36)	(31)	(85)	(101)
Operating profit	<u>11,807</u>	<u>8,579</u>	<u>21,172</u>	<u>12,819</u>
Finance costs	(23)	(25)	(47)	(27)
Share of associate's loss	(16)	-	(16)	-
Profit before taxation	<u>11,768</u>	<u>8,554</u>	<u>21,109</u>	<u>12,792</u>
Taxation	(1,452)	(1,309)	(2,298)	(2,145)
Profit for the period	<u>10,316</u>	<u>7,245</u>	<u>18,811</u>	<u>10,647</u>
Profit attributable to :				
Owners of the Parent	10,274	6,664	17,812	9,833
Non-controlling interests	42	581	999	814
	<u>10,316</u>	<u>7,245</u>	<u>18,811</u>	<u>10,647</u>
Profit per share attributable to owners of the parent (sen) :-				
- Basic	7.01	4.57	12.15	6.94
- Diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017

	Individual Quarter		Cumulative Year	
	3 Months Ended		Financial Period Ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	RM'000	RM'000	RM'000	RM'000
Profit for the Period	10,316	7,245	18,811	10,647
Other comprehensive loss:				
Translation of foreign operations	-	-	-	-
Other comprehensive loss net of tax	-	-	-	-
Total comprehensive income for the period	10,316	7,245	18,811	10,647
Total comprehensive income attributable to:				
Owners of the Parent	10,274	6,664	17,812	9,833
Non-controlling interests	42	581	999	814
	10,316	7,245	18,811	10,647

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Unaudited As at 30/6/2017 RM'000	Audited As at 31/12/2016 RM'000
ASSETS		
Non Current Assets		
Property, plant and equipment	45,410	43,418
Intangible assets	5,149	5,304
Investment in associate	1,034	-
	<u>51,593</u>	<u>48,722</u>
Current Assets		
Inventories	113,518	17,617
Trade receivables	21,601	36,442
Other receivables, deposits and prepayments	6,460	6,854
Derivative financial Asset	27	-
Deposits, cash and bank balances	40,283	30,843
Other investments	2,569	2,563
Tax recoverable	-	429
	<u>184,458</u>	<u>94,748</u>
TOTAL ASSETS	<u><u>236,051</u></u>	<u><u>143,470</u></u>
EQUITY AND LIABILITIES		
Equity Attributable To Owners of the Parents		
Share capital	79,303	73,283
Reserves	45,682	34,913
	<u>124,985</u>	<u>108,196</u>
Non-Controlling interest	-	3,978
Total Equity	<u>124,985</u>	<u>112,174</u>
Non Current Liabilities		
Hire-purchase payables	177	269
Deferred income	485	450
	<u>662</u>	<u>719</u>
Current Liabilities		
Trade payables	25,574	10,278
Other payables and accrued liabilities	83,912	16,569
Derivative financial liabilities	-	3,527
Hire-purchase payables	182	178
Provision for taxation	736	25
	<u>110,404</u>	<u>30,577</u>
Total Liabilities	<u>111,066</u>	<u>31,296</u>
TOTAL EQUITY AND LIABILITIES	<u><u>236,051</u></u>	<u><u>143,470</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

	Attributable to Owners of the Parent				Total	Non- controlling Interest	Total Equity
	Share Capital	Non Distributable		Distributable			
		Share Premium	Exchange Fluctuation Reserve	Retained Profits			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2017	73,283	6,020	-	28,893	108,196	3,978	112,174
<i>Transaction with owner:</i>							
Issuance of shares at premium	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	17,812	17,812	999	18,811
Acquisition of equity interest from non-controlling interest	-	-	-	(1,023)	(1,023)	(4,977)	(6,000)
Transition to no-par value regime on 31 January 2017	6,020	(6,020)	-	-	-	-	-
As at 30 June 2017	<u>79,303</u>	<u>-</u>	<u>-</u>	<u>45,682</u>	<u>124,985</u>	<u>-</u>	<u>124,985</u>

	Attributable to Owners of the Parent				Total	Non- controlling Interest	Total Equity
	Share Capital	Non Distributable		Distributable			
		Share Premium	Exchange Fluctuation Reserve	Retained Profits			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2016	68,620	5,545	-	1,865	76,030	1,821	77,851
<i>Transaction with owner:</i>							
Issuance of shares at premium	4,663	475	-	-	5,138	-	5,138
Total comprehensive income for the period	-	-	-	9,833	9,833	814	10,647
As at 30 June 2016	<u>73,283</u>	<u>6,020</u>	<u>-</u>	<u>11,698</u>	<u>91,001</u>	<u>2,635</u>	<u>93,636</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	6 Months ended 30/6/2017 RM'000	6 Months ended 30/6/2016 RM'000
Cash Flows From Operating Activities			
Profit before taxation		21,108	12,792
Adjustments for -			
Allowance for doubtful debts		106	-
Amortisation of intangible assets		359	1,544
Deferred income released		(227)	(534)
Depreciation		1,430	1,340
Interest expense		47	2
Interest income		(411)	(146)
Inventories written down		-	151
Gain from change in fair value of forward foreign exchange contract		(3,554)	(227)
Property, plant and equipment written off		14	-
Reversal of write down of inventories		3	-
Share of associate's loss		16	-
Unrealised loss on foreign exchange		2,426	196
Operating profit before working capital changes		<u>21,317</u>	<u>15,118</u>
Increase in inventories		(95,904)	(9,490)
(Increase)/Decrease in receivables		12,695	(15,757)
Increase in payables		82,640	17,364
Cash generated from operations		<u>20,748</u>	<u>7,235</u>
Grant received		262	368
Interest paid		(47)	(2)
Tax paid		(1,156)	(617)
Net cash generated from operating activities		<u>19,807</u>	<u>6,984</u>
Cash Flows From Investing Activities			
Interest received		411	146
Purchase of property, plant & equipment		(3,436)	(1,658)
Purchase of intangible assets		(204)	(325)
Acquisition of associate		(1,050)	-
Acquisition of interest from non-controlling interest		(6,000)	-
Net cash used in investing activities		<u>(10,279)</u>	<u>(1,837)</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	6 Months ended 30/6/2017 RM'000	6 Months ended 30/6/2016 RM'000
Cash Flows From Financing Activities			
Proceeds from issuing of share capital		-	5,138
Issued in short term borrowings		-	400
Repayment of hire-purchase liabilities		(88)	(110)
Net cash generated from/(used in) financing activities		<u>(88)</u>	<u>5,428</u>
Net Increase In Cash And Cash Equivalents		9,440	10,575
Cash And Cash Equivalents Brought Forward		30,843	15,382
Foreign currency exchange differences on opening balance		-	-
Cash And Cash Equivalents Carried Forward		<u><u>40,283</u></u>	<u><u>25,957</u></u>

PENTAMASTER CORPORATION BERHAD (572307-U)

(“Company”)

Notes To The Interim Financial Report For Quarter Ended 30 June 2017

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 2017 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Company and its subsidiaries (“Group”) for the year ended 31 December 2016.

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 2016, except for the adoption of new Malaysian Financial Reporting Standards (“MFRS”) that are effective for financial period beginning on or after 1 January 2017. The adoption of these new MFRSs does not have any material impact on the financial statements 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 2016 was not subject to any qualification.

3 Seasonal and Cyclical Factors

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

4 Unusual Items

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

5 Changes in Estimates

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

6 Valuations of Property, Plant and Equipment

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

7 Changes in Share Capital and Debt

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

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 June 2017

8 Contingent Liabilities

	Company	
	As at 30/06/2017	As at 31/12/2016
	RM'000	RM'000
Corporate guarantee given by the Company for banking facilities extended by financial institution to subsidiary companies		
- Limit	44,000	22,000
- Amount utilised	-	-

9 Capital Commitments

Authorised capital commitments not provided for in the interim financial statements as at the date of this report is RM40 million.

The capital commitment is in respect of the expansion of its existing building as well as construction of a factory building on a piece of industrial leasehold land in Batu Kawan.

10 Related Party Transaction

	Current Quarter	Current Year to Date
	RM'000	RM'000
Project management income billed to Maarij Development Sdn. Bhd. ("MDSB")	943	943
	943	943

MDSB is a company in which a person connected to a director of the Company has substantial financial interest.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 June 2017

11 Segmental Information

Results for the period ended 30 June 2017

	Automated Equipment	Automated Manufacturing Solutions	Smart Control Solutions System	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	82,687	13,944	5,435	317	102,383
Inter-segment revenue	1,040	6,051	131	(7,222)	-
Total revenue	83,727	19,995	5,566	(6,905)	102,383
Results					
Segment results	19,777	3,313	268	(2,186)	21,172
Finance cost	(7)	-	(3)	(37)	(47)
Share of associate's loss	(16)	-	-	-	(16)
Profit before taxation	19,754	3,313	265	(2,223)	21,109
Taxation	(2,221)	(2)	(75)	-	(2,298)
Profit after taxation	17,533	3,311	190	(2,223)	18,811

Results for the period ended 30 June 2016

	Automated Equipment	Automated Manufacturing Solutions	Smart Control Solutions System	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	50,653	12,361	4,006	427	67,447
Inter-segment revenue	1,974	3,833	18	(5,825)	-
Total revenue	52,627	16,194	4,024	(5,398)	67,447
Results					
Segment results	9,864	2,870	1,165	(1,080)	12,819
Finance cost	(5)	-	(4)	(18)	(27)
Profit/(Loss) before taxation	9,859	2,870	1,161	(1,098)	12,792
Taxation	(1,808)	(1)	(336)	-	(2,145)
Profit/(Loss) after taxation	8,051	2,869	825	(1,098)	10,647

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 June 2017

12 Profit Before Tax

	Current Quarter	Current Year to Date
	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):		
Allowance for doubtful debts	(106)	(106)
Depreciation and amortisation	(886)	(1,539)
Foreign exchange loss	(1,260)	(4,560)
Gain on derivatives	237	3,554
Interest income	253	411
Interest expense	(23)	(47)
Inventories written down	(4)	(3)

13 Events Subsequent to the End of the Period

The Company had on 17 July 2017 entered into the following sale and purchase agreements to:

(i) undertake an internal reorganisation exercise within the Company and its subsidiaries via the transfer of its entire equity interest in three (3) wholly-owned subsidiaries of the Company under the automated solution business to Pentamaster International Limited ("PIL"), a wholly-owned subsidiary of Pentamaster Corporation Berhad (“Internal Reorganisation”); and

(ii) dispose 74 ordinary shares of HKD0.01 each in PIL, representing 7.40% of equity interest in PIL, after the Internal Reorganisation, to GEMS Opportunities Limited Partnership, for a total cash consideration of RM25,500,000 (“Proposed Disposal”).

The Internal Reorganisation has been completed on 21 July 2017 while the Proposed Disposal has been completed on 31 July 2017.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 June 2017

14 Review of Performance

The Group recorded higher revenue at RM54.8 million in the current quarter as compared to RM38.8 million registered in the corresponding quarter last year, representing an increase of 41.2%. The higher revenue recorded was mainly due to increase in sales from automated equipment and automated manufacturing solutions as well as smart control solution system segment. Due to the higher revenue achieved, the Group recorded a higher profit before tax of RM11.8 million in the current quarter as compared to the pre-tax profit of RM8.6 million in the previous corresponding quarter, representing an increase of 37.2%.

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

1) Automated equipment

This segment recorded an increase in revenue by RM11.0 million to RM40.6 million as compared to the previous corresponding quarter due to higher demand for the test equipment from semiconductor market especially the smart device sector. As a result of higher revenue achieved, this segment recorded a higher profit before tax of RM7.9 million against profit before tax of RM5.5 million in the previous corresponding quarter.

2) Automated manufacturing solutions

Revenue from this segment in the current quarter was RM8.7 million higher than the previous corresponding quarter due to higher demand for the integrated manufacturing solution from customers which mainly comprised of our intelligent automated robotic manufacturing system (i-ARMS). As a result of higher revenue achieved, this segment recorded a profit before tax of RM5.4 million as compared to profit before tax of RM2.4 million in the previous corresponding quarter.

3) Smart control solution system

This segment recorded an increase in revenue by RM0.4 million to RM3.9 million for the current quarter under review. Despite the small increase of revenue achieved, this segment recorded a lower profit before tax of RM0.8 million as compared to the profit before tax of RM1.6 million in the previous corresponding quarter. This was mainly due to the change in sales mix where a higher portion of the project management fee with higher margin was billed in the previous corresponding quarter.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“Company”)

Notes To The Interim Financial Report For Quarter Ended 30 June 2017

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

For the second quarter ended 30 June 2017, the Group recorded higher revenue at RM54.8 million as compared to the revenue of RM47.6 million in the preceding quarter, representing an increase of 15.1%. The higher revenue recorded was mainly due to increase in sales contribution from both automated manufacturing solutions and smart control solution system segment which was partially offset by the lower revenue from automated equipment segment. As a result of the higher revenue achieved, the Group recorded a higher profit before tax of RM11.8 million in the current quarter as compared to the pre-tax profit of RM9.3 million in the preceding quarter, representing an increase of 26.9%.

Performance of the respective operating segments which includes inter-segment revenue for the second quarter ended 30 June 2017 as compared to the preceding quarter is analysed as follows:-

1) Automated equipment

The decrease in revenue by RM2.5 million in the current quarter to RM40.6 million as compared to the preceding quarter was mainly due to lower sales recorded from the test equipment as a result of timing of the project delivery. Consequently, this segment achieved a lower profit before tax of RM7.9 million as compared to RM11.9 million in preceding quarter mainly attributable to lower revenue recorded.

2) Automated manufacturing solutions

Revenue from this segment in the current quarter was RM13.7 million higher than the preceding quarter due to higher demand for the integrated manufacturing solution from customers which mainly comprised of our intelligent automated robotic manufacturing system (i-ARMS). As a result of the higher revenue achieved, this segment recorded a profit before tax of RM5.4 million in the current quarter as compared to the loss before tax of RM2.1 million in the preceding quarter.

3) Smart control solution system

Revenue from this segment was RM2.4 million higher than the preceding quarter. As a result of higher revenue achieved, this segment recorded a profit before tax of RM0.8 million as compared to the loss before tax of RM0.6 million in preceding quarter.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 June 2017

16 Current Year Prospect

The Group generally possess a positive view of its performance in the second half of the year based on the current book order on hand.

Subject to the external market conditions and macroeconomic factors, the Company believes that its performance will continue to grow positively for this year.

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
	RM'000	Date
		RM'000
Income tax payable	1,452	2,298
	<hr/>	<hr/>
	1,452	2,298
	<hr/>	<hr/>

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

On 9 June 2017, Pentamaster Corporation Berhad (“PMCB”) acquired the remaining 40% shareholding in its subsidiary company, Pentamaster Instrumentation Sdn Bhd (“PISB”) comprising 120,000 ordinary shares each fully paid up for a total cash consideration of RM6,000,000 (“the Acquisition”). Prior to the Acquisition, PMCB held 180,000 ordinary shares in PISB representing 60% of the total shareholding of PISB. With the Acquisition, PISB has become a wholly-owned subsidiary of PMCB.

On 12 June 2017, PMCB has incorporated a wholly-owned subsidiary known as Pentamaster International Limited (“PIL”) in the Cayman Islands. PIL is an investment holding company with an authorised share capital of HKD380,000 divided into 38,000,000 ordinary shares of HKD0.01 each (“PIL Shares”) and an issued and paid-up share capital of HKD0.01 divided into 1 PIL Share.

PENTAMASTER CORPORATION BERHAD (572307-U)

("Company")

Notes To The Interim Financial Report For Quarter Ended 30 June 2017

20 Corporate Proposals

Save for the disclosure made under Note 13, there were no corporate proposals announced but not completed as at the date of this announcement.

21 Borrowings

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

	RM'000
<u>Short term borrowings (unsecured)</u>	
Hire purchase creditor	182
<u>Long term borrowings (unsecured)</u>	
Hire purchase creditor	177
Total utilisation	359

All borrowings are denominated in Ringgit Malaysia.

22 Derivative Financial Instruments

As at the date of the statement of financial position 30 June 2017, 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	36,250	27	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 June 2017, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end. Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 June 2017

23 Disclosure of Realised and Unrealised Profit/Losses

	As at 30/06/2017 (RM'000)	As at 31/12/2016 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	58,833	42,040
- Unrealised	344	(2,452)
	59,177	39,588
Add: Consolidation adjustments	(13,495)	(10,695)
Total retained profits as per statements of financial position	45,682	28,893

24 Material Litigations

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

25 Dividends

The Board of Directors does not recommend any dividend in respect of the quarter ended 30 June 2017.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 June 2017

26 Basic Profit Per Share

The calculation of basic profit per share for the period is based on the net profit attributable to ordinary shareholders 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.

	3 Months Ended 30/6/2017 RM'000	3 Months Ended 30/6/2016 RM'000	6 Months Ended 30/6/2017 RM'000	6 Months Ended 30/6/2016 RM'000
Profit attributable to owners of the Parent	10,274	6,664	17,812	9,833
Weighted average number of ordinary shares of RM0.50 each	146,567,333	145,754,534	146,567,333	141,614,578
Profit per share attributable to owners of the Parent (sen)	7.01	4.57	12.15	6.94

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
24 August 2017