

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Individual Quarter		Cumulative Year	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
Revenue	40,684	20,908	108,131	64,348
Cost of goods sold	(28,528)	(14,992)	(75,142)	(47,256)
Gross profit	<u>12,156</u>	<u>5,916</u>	<u>32,989</u>	<u>17,092</u>
Other income	419	2,890	1,119	3,787
Administrative expenses	(3,515)	(1,328)	(10,531)	(6,543)
Distribution costs	(627)	(431)	(2,224)	(1,732)
Other expenses	(17)	(220)	(118)	(326)
Operating profit	<u>8,416</u>	<u>6,827</u>	<u>21,235</u>	<u>12,278</u>
Finance costs	(39)	(1)	(66)	(7)
Profit before taxation	<u>8,377</u>	<u>6,826</u>	<u>21,169</u>	<u>12,271</u>
Taxation	(239)	(766)	(2,384)	(1,629)
Profit for the period	<u><u>8,138</u></u>	<u><u>6,060</u></u>	<u><u>18,785</u></u>	<u><u>10,642</u></u>
Profit attributable to :				
Owners of the Parent	7,315	5,469	17,148	10,471
Non-controlling interests	823	591	1,637	171
	<u><u>8,138</u></u>	<u><u>6,060</u></u>	<u><u>18,785</u></u>	<u><u>10,642</u></u>
Profit per share attributable to owners of the parent (sen) :-				
- Basic	4.99	4.10	11.97	7.86
- 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 2015.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Individual Quarter		Cumulative Year	
	3 Months Ended		Financial Period Ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
Profit for the Period	8,138	6,060	18,785	10,642
Other comprehensive loss:				
Translation of foreign operations	-	-	-	(51)
Other comprehensive loss net of tax	-	-	-	(51)
Total comprehensive income for the period	8,138	6,060	18,785	10,591
Total comprehensive income attributable to:				
Owners of the Parent	7,315	5,469	17,148	10,420
Non-controlling interests	823	591	1,637	171
	8,138	6,060	18,785	10,591

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015.

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 SEPTEMBER 2016**

	Unaudited As at 30/9/2016 RM'000	Audited As at 31/12/2015 RM'000
ASSETS		
Non Current Assets		
Property, plant and equipment	41,436	42,042
Intangible assets	9,437	10,856
Investments	2,034	
	<u>52,907</u>	<u>52,898</u>
Current Assets		
Inventories	10,056	6,543
Trade receivables	41,988	15,906
Other receivables, deposits and prepayments	5,969	5,819
Derivative financial Asset		6
Deposits, cash and bank balances	27,935	15,382
	<u>85,948</u>	<u>43,656</u>
TOTAL ASSETS	<u><u>138,855</u></u>	<u><u>96,554</u></u>
EQUITY AND LIABILITIES		
Equity Attributable To Owners of the Parents		
Share capital	73,283	68,620
Reserves	25,033	7,410
	<u>98,316</u>	<u>76,030</u>
Non-Controlling interest	3,458	1,821
Total Equity	<u>101,774</u>	<u>77,851</u>
Non Current Liabilities		
Hire-purchase payables	153	141
Deferred income	697	1,131
Deferred tax liabilities	2,585	2,505
	<u>3,435</u>	<u>3,777</u>
Current Liabilities		
Trade payables	14,702	4,520
Other payables and accrued liabilities	16,695	9,170
Derivative financial liabilities	646	199
Short term bank borrowings	338	101
Provision for taxation	1,265	936
	<u>33,646</u>	<u>14,926</u>
Total Liabilities	<u>37,081</u>	<u>18,703</u>
TOTAL EQUITY AND LIABILITIES	<u><u>138,855</u></u>	<u><u>96,554</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 2015.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	← 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	-	-	-	17,148	17,148	1,637	18,785
As at 30 September 2016	<u>73,283</u>	<u>6,020</u>	<u>-</u>	<u>19,013</u>	<u>98,316</u>	<u>3,458</u>	<u>101,774</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 2015	66,622	4,865	59	(10,088)	61,458	1,484	62,942
Total comprehensive income for the period	-	-	(59)	10,471	10,412	171	10,583
Foreign currency translation differences on foreign operation	-	-	-	8	8	-	8
As at 30 September 2015	<u>66,622</u>	<u>4,865</u>	<u>-</u>	<u>391</u>	<u>71,878</u>	<u>1,655</u>	<u>73,533</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 SEPTEMBER 2016

	Note	9 Months ended 30/9/2016 RM'000	9 Months ended 30/9/2015 RM'000
Cash Flows From Operating Activities			
Profit before taxation		21,169	12,271
Adjustments for -			
Amortisation of intangible assets		1,831	1,007
Bad debts written off		-	297
Deferred income released		(802)	(614)
Depreciation		2,094	1,917
Interest expense		2	7
Interest income		(295)	(125)
Inventories written down		25	242
Reversal of Impairment loss on receivables		-	(332)
Gain on disposal of property, plant and equipment		-	(71)
Loss on disposal of subsidiaries		-	217
Loss on disposal of quoted shares		-	24
Loss/(Gain) from change in fair value of forward foreign exchange contract		453	(1,269)
Other income arising from bargain purchase		-	(2,595)
Reversal of write down of inventories		-	-
Unrealised gain on foreign exchange		(291)	(543)
Operating profit before working capital changes		<u>24,186</u>	<u>10,433</u>
(Increase)/Decrease in inventories		(3,538)	3,510
Increase in receivables		(25,619)	(567)
Increase/(Decrease) in payables		18,388	(6,693)
Cash generated from operations		<u>13,417</u>	<u>6,683</u>
Grant received		368	-
Interest paid		(2)	(7)
Tax paid		(1,975)	(627)
Net cash generated from operating activities		<u>11,808</u>	<u>6,049</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Note	9 Months ended 30/9/2016 RM'000	9 Months ended 30/9/2015 RM'000
Cash Flows From Investing Activities			
Interest received		295	125
Proceeds from disposal of property, plant & equipment		-	211
Proceed from disposal of Investment in quoted shares		-	1,336
Purchase of property, plant & equipment		(2,491)	(1,840)
Purchase of intangible assets		(411)	(202)
Investment of quoted shares		(2,034)	-
Net cash inflow on disposal of subsidiaries		-	3,811
Net cash outflow on acquisition of a subsidiary		-	(5,779)
Net cash used in investing activities		<u>(4,641)</u>	<u>(2,338)</u>
Cash Flows From Financing Activities			
Proceeds from issuing of share capital		5,138	-
Increase in short term borrowings		400	-
Repayment of hire-purchase liabilities		(152)	(98)
Net cash generated from/(used in) financing activities		<u>5,386</u>	<u>(98)</u>
Net Increase In Cash And Cash Equivalents		12,553	3,613
Cash And Cash Equivalents Brought Forward		15,382	8,382
Foreign currency exchange differences on opening balance		-	(51)
Cash And Cash Equivalents Carried Forward		<u><u>27,935</u></u>	<u><u>11,944</u></u>

PENTAMASTER CORPORATION BERHAD (572307-U)

(“Company”)

Notes To The Interim Financial Report For Quarter Ended 30 September 2016

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 Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The figures for the cumulative period in the current quarter to 30 September 2016 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 2015.

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. The transition from the previous FRSs to the new MFRSs has no impact on the Group financial position, financial performance, cash flows and the notes to the financial statements.

The Group has also adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2012. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in 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 2015 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.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“Company”)

Notes To The Interim Financial Report For Quarter Ended 30 September 2016

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

	Company	
	As at 30/9/2016	As at 31/12/2015
	RM'000	RM'000
Corporate guarantee given by the Company for banking facilities extended by financial institution to subsidiary companies		
- Limit	18,000	10,500
- Amount utilised	-	-

9 Capital Commitments

The Company had on 19 March 2015 announced that its wholly owned subsidiary, Pentamaster Technology (M) Sdn Bhd, had on the same day, entered into a sale and purchase agreement with The Penang Development Corporation (“PDC”) for the proposed acquisition of a piece of leasehold land for a total cash consideration of RM5,015,490 out of which a total payment of 40% of the purchase price, which is equivalent to RM2,006,196 had been paid to PDC.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 September 2016

10 Segmental Information

Results for the period ended 30 September 2016

	Automated Equipment	Automated Manufacturing Solution	Smart Control Solution System	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	70,249	31,446	5,784	652	108,131
Inter-segment revenue	2,025	3,837	103	(5,964)	-
Total revenue	72,273	35,283	5,887	(5,312)	108,131
Results					
Segment results	15,999	5,423	744	(931)	21,235
Finance cost	(9)	-	(4)	(52)	(66)
Profit/(Loss) before taxation	15,990	5,423	740	(983)	21,169
Taxation	(2,047)	(1)	(336)	-	(2,384)
Profit/(Loss) after taxation	13,943	5,422	403	(983)	18,785

Results for the period ended 30 September 2015

	Automated Equipment	Automated Manufacturing Solution	Smart Control Solution System	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	40,785	23,465	-	98	64,348
Inter-segment revenue	2,473	810	-	(3,283)	-
Total revenue	43,258	24,275		(3,185)	64,348
Results					
Segment results	7,214	3,818	-	1,246	12,278
Finance cost	(7)	-	-	-	(7)
Profit/(Loss) before taxation	7,207	3,818	-	1,246	12,271
Taxation	(1,627)	(2)	-	-	(1,629)
Profit/(Loss) after taxation	5,580	3,816	-	1,246	10,642

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 September 2016

11 Profit Before Tax

	Current Quarter	Current Year to Date
	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):		
Depreciation and amortisation	(775)	(3,123)
Foreign exchange gain	817	778
Loss on derivatives	(679)	(452)
Interest income	149	295
Interest expense	-	(2)
Inventories written down	(19)	(174)
Reversal of written down of Inventories	145	149

12 Events Subsequent to the End of the Period

Other than the material litigation disclosed in Note 24 below, there are no material events subsequent to the end of the period under review that have not been reflected in the interim financial statements.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 September 2016

13 Review of Performance

The Group recorded higher revenue at RM40.7 million in the current quarter as compared to RM20.9 million registered in the corresponding quarter last year. The higher revenue recorded was mainly due to increase in sales from both automated equipment and automated manufacturing solution operating segment as well as revenue contribution from smart control solution system. Due to the higher revenue achieved and better product mix secured, the Group recorded a higher profit before tax of RM8.4 million in the current quarter as compared to the pre-tax profit of RM4.2 million in the previous corresponding quarter after eliminating the effects from other income of approximately RM2.6 million in negative goodwill arising from the acquisition of Origo Ventures (M) Sdn Bhd in the corresponding quarter last year.

Performance of the respective operating segments 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 RM6.6 million to RM19.6 million as compared to the previous corresponding quarter mainly due to higher demand for automated equipment from semiconductor market. Consequently, this segment recorded a higher profit before tax of RM6.1 million against profit before tax of RM2.7 million in the previous corresponding quarter mainly attributable to higher revenue recorded coupled with better product mix with higher margin achieved.

2) Automated manufacturing solution

Revenue from this segment was RM11.3 million higher than the previous corresponding quarter mainly due to higher demand for the integrated manufacturing solution from customers in current quarter. This segment recorded a slightly higher profit before tax of RM2.6 million as compared to RM2.4 million in the previous corresponding quarter due to the change in sales mix and delivery of projects which is prototype in nature.

3) Smart control solution system

For the current quarter under review, this segment achieved total revenue of RM1.8 million with loss before tax of RM0.4 million. There were no comparative numbers in the previous corresponding quarter as this reportable segment did not exist during that time.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“Company”)

Notes To The Interim Financial Report For Quarter Ended 30 September 2016

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

For the third quarter ended 30 September 2016, the Group recorded slightly higher revenue at RM40.7 million as compared to the revenue of RM38.8 million in the preceding quarter. The higher revenue recorded was mainly due to increase in sales contribution from automated manufacturing solution operating segment which was partially offset by the lower revenue from both automated equipment segment and smart control solution system segment. From a bottom line perspective, the Group recorded a slightly lower profit before tax of RM8.4 million in the current quarter as compared to the pre-tax profit of RM8.5 million in the preceding quarter.

Performance of the respective operating segments for the third quarter ended 30 September 2016 as compared to the preceding quarter is analysed as follows:-

1) Automated equipment

The decrease in revenue by RM9.7 million in the current quarter to RM19.6 million as compared to the preceding quarter was mainly due to lower demand for automated equipment from semiconductor market. Consequently, this segment achieved a lower profit before tax of RM6.1 million as compared to RM7.9 million in preceding quarter mainly attributable to lower revenue recorded.

2) Automating manufacturing solution

Revenue from this segment was RM13.3 million higher than the previous corresponding quarter mainly due to higher demand for the integrated manufacturing solution from customers in current quarter. As a result of the higher revenue achieved, this segment recorded a profit before tax of RM2.6 million in the current quarter as compared to the loss before tax of RM40,000 in the preceding quarter.

3) Smart control solution system

Revenue from this segment was RM1.8 million lower than the preceding quarter. Revenue from this segment is largely dependent on progress billing based on stage of work done of projects. As a result of lower revenue achieved, this segment recorded loss before tax of RM0.4 million as compared to the profit 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 September 2016

15 Current Year Prospect

The Group generally remains positive for year 2016 based on the current book order on hand. While we continue to focus on our core competencies, we are heartened to witness contribution from some new products that we have developed such as the smart device test solutions and intelligent robotic manufacturing system.

16 Profit Forecast or Profit Guarantee

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

17 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	(239)	(2,304)
Deferred tax resulting from the origination and reversal of temporary differences	-	(80)
	<u>(239)</u>	<u>(2,384)</u>

18 Changes in the Composition of the Group

During the quarter, there were no changes in the composition of the Group.

19 Corporate Proposals

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

PENTAMASTER CORPORATION BERHAD (572307-U)

("Company")

Notes To The Interim Financial Report For Quarter Ended 30 September 2016

20 Status of Utilisation of Proceeds

The utilization of the gross proceeds of RM7,816,685 raised from the Private Placement 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 from completion of the Proposed Private Placement	Balance RM'000
General working capital	8,094	7,717	5,588	Within one (1) year	2,129
Estimated expenses in relation to the Proposed Private Placement	100	100	105	Upon completion	(5)
	8,194	7,817	5,693		

Note 1

Note 1: The above proposed utilisation was based on the expected gross proceeds raised which was calculated based on the indicative issue price of RM0.615 per placement share as announced on 9 September 2015.

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	153
<u>Long term borrowings (unsecured)</u>	
Hire purchase creditor	338
Total utilisation	491

All borrowings are denominated in Ringgit Malaysia.

PENTAMASTER CORPORATION BERHAD (572307-U)**(“Company”)****Notes To The Interim Financial Report For Quarter Ended 30 September 2016****22 Derivative Financial Instruments**

As at the date of the statement of financial position 30 September 2016, 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	45,533	(646)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 September 2016, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end. Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

23 Disclosure of Realised and Unrealised Profits/Losses

	As at 30/09/2016 (RM'000)	As at 30/06/2016 (RM'000)
Total Unappropriated profits/accumulated losses of Pentamaster Corporation Berhad and its subsidiaries:		
- Realised	28,298	20,292
- Unrealised	(3,351)	(3,310)
	24,947	17,590
Add: Consolidation adjustment	(5,934)	(5,285)
Unappropriated profits as per financial statements	19,013	11,698

PENTAMASTER CORPORATION BERHAD (572307-U)

(“Company”)

Notes To The Interim Financial Report For Quarter Ended 30 September 2016

24 Material Litigations

Pentamaster Instrumentation Sdn Bhd (“PUSB”), a subsidiary company of Pentamaster Corporation Berhad (“PMCB”) had on 27 January 2016 via its solicitors served a writ of summons in respect of a civil suit against QAV Technologies Sdn Bhd for patent infringement by using a product and/or a process falling within the scope of protection of the Patents.

Subsequently, the Company had on 28 March 2016 announced that the High Court of Malaya at Kuala Lumpur has allowed PUSB’s application to add Elsoft Research Berhad, AGS Automation (M) Sdn Bhd and Lumileds Malaysia Sdn Bhd respectively as the 2nd, 3rd and 4th Defendants in the suit.

The trial dates have been set in February 2017 and the suit is not expected to have any operational impact on PMCB Group. Any financial impact on PMCB Group arising from the suit cannot be determined at this juncture.

25 Dividends

The Board of Directors does not recommend any dividend in respect of the quarter ended 30 September 2016.

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 30/9/2016 RM'000	3 Months Ended 30/9/2015 RM'000	9 Months Ended 30/9/2016 RM'000	9 Months Ended 30/9/2015 RM'000
Profit attributable to owners of the Parent	7,315	5,469	17,148	10,471
Weighted average number of ordinary shares of RM0.50 each	146,567,333	133,243,050	143,277,547	133,243,050
Profit per share attributable to owners of the Parent (sen)	4.99	4.10	11.97	7.86

PENTAMASTER CORPORATION BERHAD (572307-U)
(“Company”)
Notes To The Interim Financial Report For Quarter Ended 30 September 2016

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
3 November 2016