

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 30 SEPTEMBER 2018**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/9/2018 RM'000	30/9/2017 RM'000	30/9/2018 RM'000	30/9/2017 RM'000
Revenue	108,303	83,302	309,982	185,685
Cost of goods sold	(71,863)	(62,622)	(209,954)	(134,394)
Gross profit	36,440	20,680	100,028	51,291
Other income	1,350	672	12,639	5,341
Administrative expenses	(8,278)	(10,160)	(40,707)	(22,371)
Distribution costs	(843)	(1,655)	(2,446)	(3,535)
Other operating expenses	(56)	(12)	(150)	(29)
Operating profit	28,613	9,525	69,364	30,697
Finance costs	(48)	(104)	(146)	(151)
Share of results of an associate	(9)	(6)	(47)	(22)
Profit before taxation	28,556	9,415	69,171	30,524
Taxation	(1,839)	(1,014)	(4,470)	(3,312)
Profit and total comprehensive income for the period	26,717	8,401	64,701	27,212
Profit and total comprehensive income for the period attributable to :				
Owners of the Company	17,108	7,770	38,281	25,582
Non-controlling interests	9,609	631	26,420	1,630
	26,717	8,401	64,701	27,212
Earnings per share attributable to owners of the Company (sen) :-				
- Basic and diluted	5.40	2.45	12.09	8.08
One-off and non-recurring costs				
Listing expenses	-	4,140	7,146	4,387
Stamp duty paid for transfer of shares resulted from the PIL Listing	-	527	-	527
Reported profit for the period	26,717	8,401	64,701	27,212
Adjusted profit for the period	26,717	13,068	71,847	32,126

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three months and nine months ended 30 September 2018 should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	Unaudited As at 30/9/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	71,617	45,971
Intangible assets	11,222	3,013
Investment in an associate	2,364	1,011
	<u>85,203</u>	<u>49,995</u>
Current assets		
Inventories	126,096	121,570
Trade receivables	69,855	41,038
Other receivables, deposits and prepayments	33,329	60,963
Derivative financial assets	-	461
Tax recoverable	92	20
Cash and cash equivalents	326,104	82,202
	<u>555,476</u>	<u>306,254</u>
TOTAL ASSETS	<u><u>640,679</u></u>	<u><u>356,249</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,303	79,303
Reserves	258,099	100,917
	<u>337,402</u>	<u>180,220</u>
Non-controlling interests	107,737	20,126
Total Equity	<u>445,139</u>	<u>200,346</u>
LIABILITIES		
Non-current liabilities		
Borrowings	3,438	3,762
Deferred income	321	419
	<u>3,759</u>	<u>4,181</u>
Current liabilities		
Trade payables	22,374	26,050
Other payables, accruals and provision	157,128	124,640
Derivative financial liabilities	10,014	-
Borrowings	453	507
Provision for taxation	1,812	525
	<u>191,781</u>	<u>151,722</u>
Total Liabilities	<u>195,540</u>	<u>155,903</u>
TOTAL EQUITY AND LIABILITIES	<u><u>640,679</u></u>	<u><u>356,249</u></u>

The unaudited Condensed Consolidated Statement of Financial Position as at 30 September 2018 should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

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

	Equity attributable to owners of the Company				Non-controlling Interests	Total equity
	Share capital	Share premium	Retained profits	Total		
	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 owners:</i>						
Total comprehensive income for the period	-	-	25,582	25,582	1,630	27,212
Acquisition of equity interest from non-controlling interest	-	-	(1,023)	(1,023)	(4,977)	(6,000)
Disposal of equity interest to non-controlling interest	-	-	17,693	17,693	7,807	25,500
Transition to no-par value regime on 31 January 2017	6,020	(6,020)	-	-	-	-
As at 30 September 2017	<u>79,303</u>	<u>-</u>	<u>71,145</u>	<u>150,448</u>	<u>8,438</u>	<u>158,886</u>

The unaudited Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2018 should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	9 Months ended 30/9/2018 RM'000	9 Months ended 30/9/2017 RM'000
Cash flows from operating activities		
Profit before taxation	69,171	30,524
Adjustments for:		
Allowance for doubtful debts	-	106
Amortisation of intangible assets	2,248	538
Deferred income released	(98)	(260)
Depreciation	1,755	1,975
Interest expense	146	151
Interest income	(1,677)	(584)
Loss/(gain) from changes in fair value of foreign currency forward contracts	10,475	(3,625)
Gain on disposal of investment securities	-	(74)
Property, plant and equipment written off	-	14
Inventory written downs - addition	154	6
Inventory written downs - reversal	(11)	(7)
Share of results of an associate	47	22
Unrealised (gain)/loss on foreign exchange	(10,261)	4,377
Operating profit before working capital changes	<u>71,949</u>	<u>33,163</u>
Increase in inventories	(4,669)	(112,054)
Increase in receivables	(27,751)	(20,331)
Increase in payables	30,852	99,897
Cash generated from operations	<u>70,381</u>	<u>675</u>
Grant received	-	262
Interest paid	(146)	(151)
Tax paid	(3,279)	(2,389)
Tax refunded	25	106
Net cash generated from / (used in) operating activities	<u>66,981</u>	<u>(1,497)</u>
Cash flows from investing activities		
Interest received	1,677	584
Purchase of property, plant and equipment	(27,400)	(3,606)
Purchase of computer software	(1,369)	(279)
Purchase of intangible assets	(9,089)	-
Purchase of investment securities	-	-
Proceed from disposal of property, plant and equipment	-	-
Proceeds from disposal of investment securities	-	2,636
Proceeds from disposal of subsidiaries	-	25,500
Acquisition of interest from non-controlling interests	-	(6,000)
Proceed from disposal of investment in a subsidiary	29,500	-
Investment in an associate	(1,400)	(1,050)
Net cash (used in) / generated from investing activities	<u>(8,081)</u>	<u>17,785</u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	9 Months ended 30/9/2018 RM'000	9 Months ended 30/9/2017 RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	(139)	(133)
Proceeds from issuance of shares to non-controlling interests of a subsidiary	183,755	-
Share issue expenses	(3,664)	-
Repayment of term loan	(239)	-
Net cash generated from / (used in) financing activities	<u>179,713</u>	<u>(133)</u>
Net increase in cash and cash equivalents	238,613	16,155
Effect of foreign exchange rate changes	5,289	(1,117)
Cash and cash equivalents at the beginning of the period	<u>82,202</u>	<u>30,843</u>
Cash and cash equivalents at the end of the period	<u><u>326,104</u></u>	<u><u>45,881</u></u>

The unaudited Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2018 should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Quarter Ended 30 September 2018

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The figures for the cumulative period in the current quarter to 30 September 2018 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 2017.

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 2017, except for the adoption of new Malaysian Financial Reporting Standards (“MFRS”) that are effective for financial period beginning on or after 1 January 2018. 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 2017 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.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

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

	As at 30/09/2018	As at 31/12/2017
	RM'000	RM'000
Corporate guarantee given by the Company for banking facilities extended by financial institution to subsidiary companies		
- Limit	26,500	26,500
- Amount utilised	8,896	6,452

9 Capital Commitments

	Amount RM'000
Authorised but not contracted for:	
- Property, plant and equipment	13,012
Contracted but not provided for:	
- Property, plant and equipment	-

10 Related Party Transaction

	Current Quarter	Current Year to Date
	RM'000	RM'000
Project management income billed to Maarij Development Sdn. Bhd. ("MDSB")	1,500	1,500

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

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

11 Segmental Information

Results for the period ended 30 September 2018

	Automated Equipment	Automated Manufacturing Solution	Smart Control Solutions System	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	258,860	46,295	4,827	-	309,982
Inter-segment revenue	9,616	6,400	913	(16,929)	-
Total revenue	268,476	52,695	5,740	(16,929)	309,982
Results					
Segment results	70,031	4,076	873	(5,616)	69,364
Finance costs	(143)	-	(3)	-	(146)
Share of results of an associate	-	-	-	(47)	(47)
Profit/(loss) before taxation	69,888	4,076	870	(5,663)	69,171
Taxation	(4,266)	(8)	(196)	-	(4,470)
Profit/(loss) after taxation	65,622	4,068	674	(5,663)	64,701

Results for the period ended 30 September 2017

	Automated Equipment	Automated Manufacturing Solution	Smart Control Solutions System	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Revenue	153,625	23,345	8,398	317	185,685
Inter-segment revenue	2,833	6,080	175	(9,088)	-
Total revenue	156,458	29,425	8,573	(8,771)	185,685
Results					
Segment results	34,136	1,669	50	(5,158)	30,697
Finance costs	(10)	-	(4)	(137)	(151)
Share of results of an associate	-	-	-	(22)	(22)
Profit/(loss) before taxation	34,126	1,669	46	(5,317)	30,524
Taxation	(3,234)	(3)	(75)	-	(3,312)
Profit/(loss) after taxation	30,892	1,666	(29)	(5,317)	27,212

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

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	(1,367)	(3,905)
Foreign exchange gain	474	10,738
Loss from changes in fair value of foreign currency forward contracts	(1,061)	(10,475)
Interest income	838	1,677
Income from investment	-	-
Interest expense	(48)	(146)
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Inventory written down - addition	(10)	(154)
Inventory written down - reversal	2	11
Provision for and write-off of receivables	-	-
Listing expenses	-	(7,146)

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 Year Financial Period Ended		
	30/9/2018	30/9/2017	Variance	30/9/2018	30/9/2017	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	108,303	83,302	30.0	309,982	185,685	66.9
Operating profit	28,613	9,525	200.4	69,364	30,697	126.0
Profit before taxation	28,556	9,415	203.3	69,171	30,524	126.6
Profit and total comprehensive income for the period	26,717	8,401	218.0	64,701	27,212	137.8

The Group recorded a higher revenue at RM108.3 million in the current quarter as compared to RM83.3 million registered in the corresponding quarter last year, representing an increase of 30.0%. The higher revenue recorded was mainly due to increase in sales from both the automated equipment and automated manufacturing solution operating segment.

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The Group recorded a higher revenue at RM310.0 million for the nine months ended 30 September 2018 as compared to RM185.7 million recorded in the previous corresponding period, representing an increase of 66.9%. The Group’s revenue was contributed by both the automated equipment and automated manufacturing solution segments which constituted approximately 83.5% and 14.9% of the Group’s total revenue during the nine months ended 30 September 2018 respectively.

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

	Individual Quarter 3 Months Ended				Cumulative Year Financial Period Ended			
	30/9/2018		30/9/2017		30/9/2018		30/9/2017	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Telecommunication	86,143	79.5	50,757	60.9	228,729	73.8	117,855	63.5
Automotive	9,677	8.9	3,936	4.7	34,526	11.1	5,357	2.9
Semiconductor	8,308	7.7	22,174	26.6	30,015	9.7	40,089	21.6
Consumer electronics	408	0.4	3,472	4.2	8,349	2.7	12,708	6.8
Medical devices	293	0.3	-	-	698	0.2	1	0.0
Others	3,474	3.2	2,962	3.6	7,665	2.5	9,675	5.2
Total	108,303		83,302		309,982		185,685	

Due to higher revenue achieved during the three months ended 30 September 2018, the Group consequently recorded a higher profit before taxation of RM28.6 million in the current quarter as compared to the profit before taxation of RM9.4 million in the previous corresponding quarter, representing an increase of 203.3%.

The Group recorded a profit before taxation of RM69.2 million for the nine months ended 30 September 2018 as compared to profit before taxation of RM30.5 million for the nine months ended 30 September 2017, an increase of 126.9% after taking into account the non-recurring expenses in relation to the listing exercise of PIL. Should the effects of such non-recurring expenses be excluded, the Group would have recorded a profit before taxation of RM76.3 million, an increase of 115.5% from RM35.4 million recorded in the previous corresponding period.

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 equipment

The automated equipment segment remains as the Group’s major revenue source. The products and solutions under this segment generally consist of (i) semiconductor electronic components testing for smart sensors and ICs (integrated circuits); and (ii) end products testing for consumer electronics products and LEDs.

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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

This segment recorded an increase in revenue by RM15.7 million or 21.6% to RM88.4 million for the three months ended 30 September 2018 as compared to the corresponding quarter last year and an increase in revenue by RM112.0 million or 71.6% to RM268.5 million for the nine months ended 30 September 2018 as compared to the previous corresponding period. The commendable revenue growth was mainly attributable to the continuous surge in demand for test equipment particularly the flagship test solutions in ambient and proximity sensors customised for the smart mobile device sector. Such demand was underpinned by the increasing volume and complexity of smart sensors in mobile devices resulting in the growth in demand and the revenue for this business segment.

As a result of higher revenue achieved and changes in sales mix, this segment profit before taxation is higher by RM27.4 million or 91.6% in the current quarter under review as compared to profit before taxation of RM14.3 million in the corresponding quarter last year and profit before taxation is higher by RM35.8 million or 105.0% for the nine months ended 30 September 2018 as compared to the previous corresponding period.

2) Automated manufacturing solution

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, food and beverage and medical devices.

This segment recorded revenue of RM21.3 million in the current quarter and RM52.7 million for the nine months ended 30 September 2018 as compared to revenue of RM9.4 million in the corresponding quarter last year and RM29.4 million for the previous corresponding period ended 30 September 2017, representing an increase of approximately 126.6% and 79.3%, respectively. The increase in revenue from this segment was mainly due to higher volume of project delivery involving factory automation lines comprising the AMS (automated manufacturing solution) modules and i-ARMS (intelligent Automated Robotic Manufacturing System) solutions.

Consequently, this segment profit before taxation is higher by RM1.6 million in the current quarter under review and RM4.1 million for the nine months ended 30 September 2018 as compared to loss before taxation of RM1.6 million in the previous corresponding quarter and RM1.7 million for the previous corresponding period ended 30 September 2017, due to favorable changes in sales mix.

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3) Smart control solution system

The smart control solution system segment recorded revenue of RM3.0 million in the current quarter and RM5.7 million for the nine months ended 30 September 2018 as compared to revenue of RM3.0 million and RM8.6 million in the corresponding quarter last year and previous corresponding period respectively. This segment recorded a profit before taxation of RM1.4 million in the current quarter under review and RM0.9 million for the nine months ended 30 September 2018 as compared to loss before taxation of RM0.2 million in the corresponding quarter last year and profit before taxation of RM46,000 for the previous corresponding period ended 30 September 2017.

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

	3 Months Ended	3 Months Ended	Variance
	30/9/2018	30/6/2018	
	RM'000	RM'000	%
Revenue	108,303	102,296	5.9
Operating profit	28,613	24,194	18.3
Profit before taxation	28,556	24,126	18.4
Profit and total comprehensive income for the period	26,717	22,930	16.5

For the third quarter ended 30 September 2018, the Group recorded a higher revenue at RM108.3 million as compared to the revenue of RM102.3 million in the preceding quarter, representing an increase of 5.9%. The higher revenue recorded in the current quarter under review was due to increase in sales from automated manufacturing solution operating segment.

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

	3 Months Ended		3 Months Ended	
	30/9/2018		30/6/2018	
	RM'000	%	RM'000	%
Telecommunication	86,143	79.5	73,386	71.6
Automotive	9,677	8.9	16,120	15.8
Semiconductor	8,308	7.7	6,716	6.6
Consumer electronics	408	0.4	4,688	4.6
Medical devices	293	0.3	404	0.4
Others	3,474	3.2	982	1.0
Total	108,303		102,296	

The Group recorded a higher profit before taxation of RM28.6 million in the current quarter as compared to the profit before taxation of RM24.1 million in the preceding quarter, representing an increase of 18.4% which was in tandem with the increase in revenue.

Performance of the respective operating segments which includes inter-segment transactions for the third quarter ended 30 September 2018 as compared to the preceding quarter is analysed as follows:-

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

1) Automated equipment

During the three months ended 30 September 2018, revenue from the automated equipment segment decreased by RM0.6 million to RM88.4 million as compared to the preceding quarter of RM89.0 million. The decrease was mainly due to the timing in the project delivery for some of the smart sensor test handler solution to customers in telecommunication segment. However, this segment achieved a higher profit before taxation of RM27.4 million as compared to RM19.1 million in preceding quarter mainly attributable to changes in sales mix, contributing to higher profit margin.

2) Automated manufacturing solution

Revenue from this segment in the current quarter was RM2.4 million higher against revenue of RM18.9 million in the preceding quarter. This was due to higher sales recorded and recognised for the integrated manufacturing solution as a result of higher number of projects delivered to customers. Consequently, this segment recorded a profit before taxation of RM1.6 million in the current quarter as compared to the profit before taxation of RM1.5 million in the preceding quarter.

3) Smart control solution system

Revenue from this segment was RM1.7 million higher than the preceding quarter. In tandem with higher revenue in the current quarter, this segment recorded a profit before taxation of RM1.4 million as compared to the loss before taxation of RM0.2 million in the preceding quarter.

16 Current Year Prospect

Generally, the Group views its performance for the remaining period of the financial year positively based on its book orders on hand. Going forward, the management remains confident in the demand for the Group’s automated test equipment as well as automated manufacturing solution in view of (i) the increasing volume and complexity of smart sensors, (ii) the prevalence of 3D sensing technology, (iii) the Group’s continuous diversification and expansion into new segments particularly the automotive and medical industries, and (iv) the Group’s increased floor space with the completion of the new production plant.

17 Profit Forecast or Profit Guarantee

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

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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

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	1,839	4,470

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.

20 Corporate Proposals

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

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 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	446	Within one (1) year	4,054
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	-	Within two (2) years	20,000
General administrative and operating expenses	5,000	5,000	267	Within one (1) year	4,733
Total	29,500	29,500	713		28,787

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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

2) Listing Exercise

The utilisation of proceeds of RM87.1 million from the offer for sale by the Company in conjunction with the Listing Exercise 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 two (2) years	32,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	9,074	Within five (5) years	19,574
Working capital	21,172	23,549	20,405	-	Within five (5) years	20,405
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	14,380		72,720

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.

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	121
Term loan	332
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	9
Term loan	3,429
Total utilisation	3,891

All borrowings are denominated in Ringgit Malaysia.

The finance lease liabilities are secured over the leased assets.

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

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Quarter Ended 30 September 2018

23 Derivative Financial Instruments

As at the date of the statement of financial position 30 September 2018, 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	211,928	(10,014)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 September 2018, 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 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 (“Board”) does not recommend any dividend in respect of the quarter ended 30 September 2018.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Quarter Ended 30 September 2018

26 Earnings Per Share

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

	3 Months Ended 30/9/2018 RM'000	3 Months Ended 30/9/2017 RM'000	9 Months Ended 30/9/2018 RM'000	9 Months Ended 30/9/2017 RM'000
Profit and total comprehensive income attributable to owners of the Company	17,108	7,770	38,281	25,582
Weighted average number of ordinary shares	316,585,424	316,585,424	316,585,424	316,585,424
Earnings per share attributable to owners of the Company (sen)	5.40	2.45	12.09	8.08

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
1 November 2018