

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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/9/2020 (Unaudited) RM'000	30/9/2019 (Unaudited) RM'000	30/9/2020 (Unaudited) RM'000	30/9/2019 (Unaudited) RM'000
Revenue	105,418	124,633	308,551	364,128
Cost of goods sold	(70,615)	(78,412)	(203,013)	(233,115)
Gross profit	34,803	46,221	105,538	131,013
Other income	6,129	4,664	11,811	12,439
Administrative expenses	(13,072)	(15,504)	(28,948)	(36,646)
Distribution costs	(2,011)	(1,930)	(5,833)	(5,349)
Other operating expenses	(61)	(63)	(101)	(261)
Operating profit	25,788	33,388	82,467	101,196
Finance costs	(36)	(42)	(111)	(151)
Share of results of an associate	(218)	(181)	(887)	(307)
Profit before taxation	25,534	33,165	81,469	100,738
Taxation	(739)	533	(4,104)	(5,156)
Profit and total comprehensive income for the period	24,795	33,698	77,365	95,582
Profit and total comprehensive income for the period attributable to :				
Owners of the Company	15,037	21,480	48,822	60,586
Non-controlling interests	9,758	12,218	28,543	34,996
	24,795	33,698	77,365	95,582
Earnings per share attributable to owners of the Company (sen) :				
- Basic and diluted	2.11	3.02	6.85	8.51

The unaudited condensed consolidated statement of profit or loss and other comprehensive income statement for the three months and nine months ended 30 September 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 SEPTEMBER 2020**

	Unaudited As at 30/9/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	87,977	85,627
Investment properties	9,872	9,948
Goodwill	4,495	4,495
Intangible assets	59,032	40,100
Investment in an associate	4,875	4,062
Other receivables, deposits and prepayments	11,210	21,461
	<u>177,461</u>	<u>165,693</u>
Current assets		
Inventories	31,418	59,458
Trade receivables	118,734	65,600
Other receivables, deposits and prepayments	26,708	21,027
Derivative financial assets	2,450	2,395
Tax recoverable	48	146
Cash and cash equivalents	433,536	423,251
	<u>612,894</u>	<u>571,877</u>
TOTAL ASSETS	<u><u>790,355</u></u>	<u><u>737,570</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,303	79,303
Reserves	408,919	357,298
	<u>488,222</u>	<u>436,601</u>
Non-controlling interests	185,136	159,285
Total Equity	<u>673,358</u>	<u>595,886</u>
LIABILITIES		
Non-current liabilities		
Borrowings	2,725	3,004
Deferred income	1,828	2,072
Deferred tax liabilities	4,971	5,374
Other payables, accruals and provision	5,598	5,598
	<u>15,122</u>	<u>16,048</u>
Current liabilities		
Trade payables	48,797	33,032
Other payables, accruals and provision	36,873	40,719
Contract liabilities	13,320	49,559
Borrowings	370	358
Provision for taxation	2,515	1,968
	<u>101,875</u>	<u>125,636</u>
Total Liabilities	<u>116,997</u>	<u>141,684</u>
TOTAL EQUITY AND LIABILITIES	<u><u>790,355</u></u>	<u><u>737,570</u></u>

The unaudited condensed consolidated statement of financial position as at 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	48,822	48,822	28,543	77,365
<i>Transactions with owners:</i>						
Effect of changes in shareholding	-	-	12,823	12,823	2,101	14,924
Dividends	-	-	(7,124)	(7,124)	(4,793)	(11,917)
Purchase of shares for share award scheme		(2,900)	-	(2,900)	-	(2,900)
As at 30 September 2020 (Unaudited)	<u>79,303</u>	<u>(2,900)</u>	<u>411,819</u>	<u>488,222</u>	<u>185,136</u>	<u>673,358</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	-	-	60,586	60,586	34,996	95,582
<i>Transactions with owners:</i>						
Effect of changes in shareholding	-	-	(1,214)	(1,214)	(2,252)	(3,466)
Dividends	-	-	-	-	(4,738)	(4,738)
As at 30 September 2019 (Unaudited)	<u>79,303</u>	<u>-</u>	<u>336,306</u>	<u>415,609</u>	<u>146,226</u>	<u>561,835</u>

The unaudited condensed consolidated statement of changes in equity for the nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

	9 Months ended 30/9/2020 (Unaudited) RM'000	9 Months ended 30/9/2019 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	81,469	100,738
Adjustments for:		
Amortisation of intangible assets	2,005	566
Deferred income released	(245)	(170)
Depreciation	3,329	2,684
Gain on disposal of property, plant & equipment	(3)	(95)
Expected credit loss ("ECL") allowance on trade receivables	5,022	2,485
Bad debts written off	2	-
Interest expense	111	151
Interest income	(6,973)	(7,612)
Gain from changes in fair value of foreign currency forward contracts	(54)	(4,523)
Property, plant & equipment written off	221	-
Inventory written downs - addition	256	2,395
Inventory written downs - reversal	(1,646)	(411)
Share of results of an associate	887	307
Unrealised gain on foreign exchange	(2,733)	(13)
Operating profit before working capital changes	<u>81,648</u>	<u>96,502</u>
Decrease in inventories	29,429	76,217
(Increase)/decrease in receivables	(52,609)	5,536
Increase / (decrease) in payables	12,047	(10,974)
Decrease in contract liabilities	(36,238)	(30,867)
Cash generated from operations	<u>34,277</u>	<u>136,414</u>
Interest paid	(111)	(151)
Tax paid	(3,586)	(6,163)
Tax refund	127	555
Net cash generated from operating activities	<u>30,707</u>	<u>130,655</u>
Cash flows from investing activities		
Interest received	6,973	7,612
Purchase of property, plant and equipment	(5,959)	(6,872)
Purchase of intangible assets	(21,231)	(5,600)
Proceed from disposal of property, plant and equipment	30	215
Investment in an associate	(1,700)	(1,750)
Net cash outflow on acquisition of a subsidiary	-	(15,379)
Net cash used in investing activities	<u>(21,887)</u>	<u>(21,774)</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 2020**

	9 Months ended 30/9/2020 (Unaudited) RM'000	9 Months ended 30/9/2019 (Unaudited) RM'000
Cash flows from financing activities		
Repayment of finance lease liabilities	-	(74)
Dividend paid	(11,917)	(4,738)
Net purchase of shares from non-controlling interest of a subsidiary	(6,479)	(3,466)
Proceeds from disposal of shares from non-controlling interest of a subsidiary	21,403	-
Repayment of term loan	(267)	(226)
Purchase of shares for share award scheme	(2,900)	-
Net cash used in financing activities	<u>(160)</u>	<u>(8,504)</u>
Net increase in cash and cash equivalents	8,660	100,377
Effect of foreign exchange rate changes	1,625	(444)
Cash and cash equivalents at the beginning of the period	423,251	324,653
Cash and cash equivalents at the end of the period	<u><u>433,536</u></u>	<u><u>424,586</u></u>

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

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 30 September 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 September 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
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
MFRS 17 *Insurance Contracts*⁴
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*⁵

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 for annual periods beginning on or after 1 January 2023*

⁵ *Effective date not yet determined*

The Group is in the process of making an assessment of the impact of these new and amended IFRSs 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 September 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 September 2020.

9 Capital Commitments

	Amount
	RM'000
Contracted but not provided for: - Property, plant and equipment	3,984

10 Related Party Transaction

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

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 30 September 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 September 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	194,369	114,009	173		308,551
Inter-segment revenue	8,961	1,996	5	(10,962)	-
Total revenue	203,330	116,005	178		308,551
Results					
Segment results	62,569	18,189	(2,339)	(2,925)	75,494
Interest income	4,624	159	1	2,189	6,973
Interest expense	(111)	-	-		(111)
Share of results of an associate	-	-	-	(887)	(887)
Profit/(loss) before taxation	67,082	18,348	(2,338)		81,469
Taxation	(4,064)	(40)	-		(4,104)
Profit/(loss) after taxation	63,018	18,308	(2,338)		77,365

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

Results for the period ended 30 September 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	313,734	47,878	2,516		364,128
Inter-segment revenue	7,718	8,298	85	(16,101)	-
Total revenue	321,452	56,176	2,601		364,128
Results					
Segment results	90,943	8,017	(776)	(4,600)	93,584
Interest income	4,376	360	-	2,876	7,612
Interest expense	(151)	-	-		(151)
Share of results of an associate	-	-	-	(307)	(307)
Profit/(loss) before taxation	95,168	8,377	(776)		100,738
Taxation	(5,120)	(36)	-		(5,156)
Profit/(loss) after taxation	90,048	8,341	(776)		95,582

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	(2,596)	(5,089)
(Loss)/gain on foreign exchange -realised	(822)	849
-unrealised	(1,923)	2,733
Gain from changes in fair value of foreign currency forward contracts	4,049	54
Gain on disposal of property, plant and equipment	3	3
Interest income	1,942	6,973
Interest expense	(36)	(111)
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Property, plant and equipment written off	(221)	(221)
Investment income	-	-
Inventory written off	-	-
Inventory written downs – addition	(4)	(256)
Inventory written downs – reversal	344	1,646
ECL allowance on trade receivables	(5,026)	(5,022)
Bad debt written off	-	2

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

13 Events Subsequent to the End of the Year

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		
	30/9/2020	30/9/2019	Variance	30/9/2020	30/9/2019	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	105,418	124,633	-15.4	308,551	364,128	-15.3
Operating profit	25,788	33,388	-22.8	82,467	101,196	-18.5
Profit before taxation	25,534	33,165	-23.0	81,469	100,738	-19.1
Profit and total comprehensive income for the period	24,795	33,698	-26.4	77,365	95,582	-19.1

The Group recorded lower revenue at RM105.4 million in the 3-month ended 30 September 2020 (“3Q2020”) as compared to RM124.6 million registered in the 3-month ended 30 September 2019 (“3Q2019”), representing a decrease of 15.4%. For the nine months financial period ended (“9-month FPE”) 30 September 2020, the Group recorded revenue of RM308.6 million as compared to revenue of RM364.1 million in the 9-month FPE 30 September 2019, representing a decrease of 15.3%. The Group continued to reflect a balanced contribution mix in the ATE and FAS segment as opposed to the previous corresponding period. The revenue from ATE and FAS segments each contributing approximately 63.0% and 36.9% in the 9-month FPE 30 September 2020 as compared to 86.2% and 13.1% in the 9-month FPE 30 September 2019.

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

	Individual Quarter 3 Months Ended				Cumulative Financial Period Ended			
	30/9/2020		30/9/2019		30/9/2020		30/9/2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Electro-Optical ⁽¹⁾	31,168	29.6	94,966	76.2	121,035	39.2	251,803	69.2
Automotive	26,661	25.3	16,603	13.3	54,615	17.7	48,339	13.3
Consumer and industrial products	24,052	22.8	3,265	2.6	53,098	17.2	30,990	8.5
Medical Devices	11,842	11.2	325	0.3	36,770	11.9	1,017	0.3
Semiconductor	11,591	11.0	9,474	7.6	42,860	13.9	29,463	8.1
Others	104	0.1	-	-	173	0.1	2,516	0.6
Total	105,418		124,633		308,551		364,128	

Note:

(1) *The electro-optical division is previously known as telecommunications division.*

Due to lower revenue achieved in 3Q2020, the Group consequently recorded a lower profit before taxation of RM25.5 million in the current quarter as compared to the profit before taxation of RM33.2 million in 3Q2019, representing a decrease of 23.0%. The decrease was also contributed by ECL allowance on trade receivables amounting to RM5.0 million in 3Q2020.

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

For the 9-month FPE 30 September 2020, the Group recorded lower profit before taxation of RM81.5 million as compared to profit before taxation of RM100.7 million in the nine months ended 30 September 2019, representing a decrease of 19.1%, due to lower revenue achieved and ECL allowance on trade receivables amounting to RM5.0 million in 3Q2020.

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 9-month FPE 30 September 2020.

This segment recorded a decrease in revenue by RM48.0 million or 42.5% to RM64.9 million in 3Q2020 as compared to 3Q2019. The drop in revenue under the ATE segment in 3Q2020 was mainly due to the elements of deferment of a timely revenue recognition caused by the delay in project shipment and site installation impacted by the global travelling restriction. In 3Q2020 where the governmental efforts to curb Covid-19 in Malaysia where the Group operates in, has somewhat shifted from containment to recovery, the Group was able to resume its full production capacity and workforce run-rate in fulfilling its order backlog. Additionally, with cross border business travelling allowed on a rigid, limited and conditional basis by the government, such approach has not provided the Group with the optimal shipment and installation work progress required for revenue recognition. This has, to a certain degree, resulted in certain projects experiencing push back in its last milestone in the current quarter. In the remaining months of 2020, subject to the Covid-19 situation, the Group will continue to take the necessary steps and approaches to complete the process while protecting the safety and health of its employees. As it is, within the ATE segment, the Group continued to witness a more diverse end market application and industry base for its test equipment and solutions during the period.

As a result of lower revenue achieved, this segment recorded lower profit before taxation of RM20.0 million in 3Q2020 as compared to profit before taxation of RM29.5 million in 3Q2019, representing a decrease of RM9.5 million or 32.2%.

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 electro-optical, automotive, consumer and industrial products as well as medical devices.

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This segment recorded revenue of RM48.9 million in 3Q2020 as compared to revenue of RM17.0 million in 3Q2019, representing increase of approximately RM31.9 million or 187.6%. The increase in revenue from the FAS segment during the financial period ended 30 September 2020 as compared to the financial period ended 30 September 2019 was mainly due to growing demand for the Group’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing System) solutions given the increasing adoption of automation technology, digitisation and Industry 4.0 revolution which have significantly stimulated the demand for automation across a wider spectrum of industries. Additionally, the FAS segment has also benefited from the acquisition of TP Concept Sdn. Bhd. with its revenue contribution and its strategic contribution towards the Group’s drastic progress into the medical devices segment. .

Due to higher revenue achieved in 3Q2020, the Group recorded higher profit before taxation of RM9.7 million as compared to profit before taxation of RM3.8 million, representing an increase of RM5.9 million or 155.3%.

3) Smart control solution system

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

The smart control solution system segment recorded revenue of RM0.1 million in 3Q2020 as compared to revenue of RM0.1 million in 3Q2019. This segment recorded a loss before taxation of RM1.7 million 3Q2020 as compared to loss before taxation of RM0.3 million in 3Q2019 mainly due to ECL allowance on trade receivables amounting RM1.4 million.

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

	3 Months Ended	3 Months Ended	Variance
	30/9/2020	30/6/2020	
	RM’000	RM’000	%
Revenue	105,418	103,024	2.3
Operating profit	25,788	29,072	-11.3
Profit before taxation	25,534	28,714	-11.1
Profit and total comprehensive income for the period	24,795	26,465	-6.3

For 3Q2020, the Group recorded higher revenue at RM105.4 million as compared to the revenue of RM103.0 million for the 3 months ended 30 June 2020 (“2Q2020”), representing an increase of 2.3%. The higher revenue recorded in the current quarter under review was due to increase in sales from the FAS operating segment by 48.4% which was offset by a decrease in the revenue from ATE operating segment by 8.3%.

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

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

	3 Months Ended 30/9/2020		3 Months Ended 30/6/2020	
	RM’000	%	RM’000	%
Electro-Optical ⁽¹⁾	31,168	29.6	46,547	45.2
Automotive	26,661	25.3	10,292	10.0
Consumer and industrial products	24,052	22.8	9,803	9.5
Medical Devices	11,842	11.2	12,452	12.1
Semiconductor	11,591	11.0	23,930	23.2
Others	104	0.1	-	-
Total	105,418		103,024	

Note:

(1) *The electro-optical division is previously known as telecommunications division.*

Despite the increase in the Group revenue in 3Q2020, the Group recorded a lower profit before taxation of RM25.5 million in 3Q2020 as compared to the profit before taxation of RM28.7 million in 2Q2020, representing a decrease of 11.1% mainly due to ECL allowance on trade receivables amounting to RM5.0 million in 3Q2020.

Performance of the respective operating segments which includes inter-segment transactions in 3Q2020 as compared to 2Q2020 are analysed as follows:

1) Automated test equipment

In 3Q2020, revenue from the ATE segment decreased by RM5.9 million to RM64.9 million as compared to the revenue of RM70.7 million achieved in 2Q2020. The decrease was mainly due to lower project delivery schedule and site installation as a result of travelling restriction imposed from the Covid-19 situation. This segment achieved a lower profit before taxation of RM20.0 million in 3Q2020 as compared to RM26.1 million in 2Q2020 mainly due to lower revenue achieved and different product mix.

2) Factory automation solutions

Revenue from this segment in 3Q2020 increased by RM15.9 million against revenue of RM32.9 million in 2Q2020. This was mainly due to higher demand for the Group’s proprietary i-ARMS mainly from the consumer and industrial products segment. This segment also recorded higher profit before taxation of RM9.7 million in 3Q2020 mainly as a result of favorable changes in product mix.

3) Smart control solution system

Revenue from this segment increased by RM0.1 million as compared to 2Q2020. Despite recording higher revenue in 3Q2020, this segment recorded a loss before taxation of RM1.7 million compare to loss before taxation of RM0.3 million recorded in 2Q2020 due to higher operating costs in the current quarter.

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16 Prospect

With the on-going threat of Covid-19 impacting world economies and the continuous infection wave crippling the socio-economic aspect, year 2020 has been highly disruptive as the Group enters into the remaining months of 2020. Towards this end, the Group has been tirelessly stepping up its effort in managing its project delivery and installation timeline taking into consideration the tedious application process for cross border travelling imposed by the Malaysian government. In parallel, the Group is actively evaluating its strategic expansion opportunities outside of Malaysia to broaden its footprint regionally, whilst acknowledging the fact that pandemic risk remains real and the Group needs to anchor a diversified environment for its long term growth plan.

During the period, with the exception of the Group’s electro-optical division (previously known as telecommunications division), the Group continues to witness positive business growth momentum from the rest of the Group’s division in the ATE and FAS business segments. The Company’s recent incorporation of Pentamaster MediQ Sdn. Bhd. (“PDSB”) and its allocation of capital expenditure for PDSB shows the Group’s proactive approach in broadening its business exposure, especially towards the ever growing medical device segment. Currently, the Group has continued to expand its strength, technology capabilities as well as its product portfolio in the electro-optical capabilities, while capitalising the market potential on silicon carbide (SiC) and gallium nitrite (GaN) – based compound power semiconductors and power modules. The i-ARMS solution of the Group has also been bearing fruits with the wider adoption of robotics and automation.

With a record of being listed in Forbes’ list of Asia’s Best Under a Billion for a fourth consecutive year in 2020, the Group is honoured to be given such recognition for its track records of exceptional corporate performance. Fundamentally, the Group remains focused on its operational capabilities and in-house technology development as it solidifies its position as a world class automation solution provider

17 Profit Forecast or Profit Guarantee

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

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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	739	4,104

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 63.1% 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	370
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	-
Term loan	2,725
Total	3,095

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 September 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	119,149	2,450	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 September 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 September 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

The Board of Directors does not recommend any dividend in respect of the quarter ended 30 September 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 30/9/2020 RM'000	3 Months Ended 30/9/2019 RM'000	9 Months Ended 30/9/2020 RM'000	9 Months Ended 30/9/2019 RM'000
Profit and total comprehensive income attributable to owners of the Company	15,037	21,480	48,822	60,586
Weighted average number of ordinary shares	712,317,121	712,317,121	712,317,121	712,317,121
Earnings per share attributable to owners of the Company (sen)	2.11	3.02	6.85	8.51

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
6 November 2020