

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

**CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Individual Quarter 3 Months Ended | | Cumulative Year Financial Period Ended | |
|--|--------------------------------------|----------------------|---|----------------------|
| | 31/12/2017 RM'000 | 31/12/2016 RM'000 | 31/12/2017 RM'000 | 31/12/2016 RM'000 |
| Revenue | 98,504 | 43,808 | 284,190 | 151,938 |
| Cost of goods sold | (69,159) | (28,328) | (203,553) | (103,469) |
| Gross profit | <u>29,345</u> | <u>15,480</u> | <u>80,637</u> | <u>48,469</u> |
| Other income | 4,405 | 4,275 | 5,462 | 5,394 |
| Administrative expenses | (18,434) | (11,307) | (36,357) | (21,838) |
| Distribution costs | (1,793) | (736) | (5,390) | (2,959) |
| Other expenses | (34) | (15) | (166) | (134) |
| Operating profit | <u>13,489</u> | <u>7,697</u> | <u>44,186</u> | <u>28,932</u> |
| Finance costs | (14) | (28) | (166) | (94) |
| Share of associate's loss | (17) | - | (39) | - |
| Profit before taxation | <u>13,458</u> | <u>7,669</u> | <u>43,981</u> | <u>28,838</u> |
| Taxation | (1,498) | 3,131 | (4,809) | 747 |
| Profit for the period | <u>11,960</u> | <u>10,800</u> | <u>39,172</u> | <u>29,585</u> |
| Profit attributable to : | | | | |
| Owners of the Parent | 10,334 | 9,880 | 35,968 | 27,028 |
| Non-controlling interests | 1,626 | 920 | 3,204 | 2,557 |
| | <u>11,960</u> | <u>10,800</u> | <u>39,172</u> | <u>29,585</u> |
| Profit per share attributable to owners of the parent (sen) :- | | | | |
| - Basic | 3.26 | 3.17 | 11.36 | 8.69 |
| - Diluted | N/A | N/A | N/A | N/A |
| One-off and non-recurring costs | | | | |
| Listing expenses | 1,062 | - | 5,449 | - |
| Stamp duty paid for transfer of shares | - | - | 527 | - |
| Amortisation of intangible assets (Project management right) | 2,022 | 3,412 | 2,022 | 4,396 |
| Reported profit for the period | <u>11,960</u> | <u>10,800</u> | <u>39,172</u> | <u>29,585</u> |
| Adjusted profit for the period | <u>15,044</u> | <u>14,212</u> | <u>47,170</u> | <u>33,981</u> |

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) ("PCB" or "Company")
 QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Individual Quarter 3 Months Ended | | Cumulative Year Financial Period Ended | |
|--|--------------------------------------|----------------------|---|----------------------|
| | 31/12/2017 RM'000 | 31/12/2016 RM'000 | 31/12/2017 RM'000 | 31/12/2016 RM'000 |
| Profit for the Period | 11,960 | 10,800 | 39,172 | 29,585 |
| Other comprehensive loss: Translation of foreign operations | - | - | - | - |
| Other comprehensive loss net of tax | - | - | - | - |
| Total comprehensive income for the period | 11,960 | 10,800 | 39,172 | 29,585 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Parent | 10,334 | 9,880 | 35,968 | 27,028 |
| Non-controlling interests | 1,626 | 920 | 3,204 | 2,557 |
| | 11,960 | 10,800 | 39,172 | 29,585 |

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) ("PCB" or "Company")
 QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2017**

| | Unaudited As at 31/12/2017 RM'000 | Audited As at 31/12/2016 RM'000 |
|---|--|--|
| ASSETS | | |
| Non Current Assets | | |
| Property, plant and equipment | 45,971 | 43,418 |
| Intangible assets | 3,013 | 5,304 |
| Investment in associate | 1,011 | - |
| | <u>49,995</u> | <u>48,722</u> |
| Current Assets | | |
| Inventories | 121,570 | 17,617 |
| Trade receivables | 41,038 | 36,442 |
| Other receivables, deposits and prepayments | 60,963 | 6,854 |
| Derivative financial Asset | 461 | - |
| Deposits, cash and bank balances | 82,202 | 30,843 |
| Other investments | - | 2,563 |
| Tax recoverable | 20 | 429 |
| | <u>306,254</u> | <u>94,748</u> |
| TOTAL ASSETS | <u><u>356,249</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 | 100,917 | 34,913 |
| | <u>180,220</u> | <u>108,196</u> |
| Non-Controlling interest | 20,126 | 3,978 |
| Total Equity | <u>200,346</u> | <u>112,174</u> |
| Non Current Liabilities | | |
| Hire-purchase payables | 82 | 269 |
| Deferred income | 419 | 450 |
| | <u>501</u> | <u>719</u> |
| Current Liabilities | | |
| Trade payables | 26,050 | 10,278 |
| Other payables and accrued liabilities | 124,640 | 16,569 |
| Derivative financial liabilities | - | 3,527 |
| Hire-purchase payables | 187 | 178 |
| Term loan | 4,000 | - |
| Provision for taxation | 525 | 25 |
| | <u>155,402</u> | <u>30,577</u> |
| Total Liabilities | <u>155,903</u> | <u>31,296</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>356,249</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) ("PCB" or "Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 | - | - | - | 35,968 | 35,968 | 3,204 | 39,172 |
| Acquisition of equity interest from non-controlling interest | - | - | - | (1,023) | (1,023) | (4,977) | (6,000) |
| Disposal of equity interest to non-controlling interest | | | | 37,079 | 37,079 | 17,921 | 55,000 |
| Transition to no-par value regime on 31 January 2017 | 6,020 | (6,020) | - | - | - | - | - |
| As at 31 December 2017 | <u>79,303</u> | <u>-</u> | <u>-</u> | <u>100,917</u> | <u>180,220</u> | <u>20,126</u> | <u>200,346</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 | - | - | - | 27,028 | 27,028 | 2,557 | 29,585 |
| Dividends | | | | | - | (400) | (400) |
| As at 31 December 2016 | <u>73,283</u> | <u>6,020</u> | <u>-</u> | <u>28,893</u> | <u>108,196</u> | <u>3,978</u> | <u>112,174</u> |

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 12 Months ended 31/12/2017 RM'000 | 12 Months ended 31/12/2016 RM'000 |
|---|------|--|--|
| Cash Flows From Operating Activities | | | |
| Profit before taxation | | 43,981 | 28,838 |
| Adjustments for - | | | |
| Amortisation of intangible assets | | 2,748 | 5,516 |
| Deferred income released | | (293) | (1,048) |
| Depreciation | | 2,535 | 2,840 |
| Fair value gain on investment securities | | - | (529) |
| Impairment loss on receivables | | 106 | 469 |
| Interest expense | | 166 | 94 |
| Interest income | | (735) | (433) |
| Development expenditure written off | | - | 508 |
| (Gain)/loss from change in fair value of forward foreign exchange contract | | (3,988) | 3,334 |
| Gain on disposal of investment securities | | (73) | - |
| Property, plant and equipment written off | | 14 | - |
| Gain on disposal of property, plant and equipment | | (7) | (38) |
| Provision for warranty - current year | | 444 | 165 |
| Provision for warranty - reversal | | (195) | (7) |
| Inventories written down - addition | | 7 | 33 |
| Inventories written down - reversal | | (8) | (8) |
| Share of associate's loss | | 39 | - |
| Unrealised loss/(gain) on foreign exchange | | 7,230 | (1,076) |
| Operating profit before working capital changes | | <u>51,971</u> | <u>38,658</u> |
| Increase in inventories | | (103,952) | (11,099) |
| Increase in receivables | | (33,832) | (20,264) |
| Increase in payables | | 123,714 | 12,996 |
| Cash generated from operations | | <u>37,901</u> | <u>20,291</u> |
| Grant received | | 262 | 368 |
| Interest paid | | (166) | (94) |
| Tax paid | | (4,042) | (3,099) |
| Tax refunded | | 143 | - |
| Net cash generated from operating activities | | <u>34,098</u> | <u>17,466</u> |
| Cash Flows From Investing Activities | | | |
| Interest received | | 735 | 433 |
| Purchase of property, plant & equipment | | (5,102) | (3,816) |
| Purchase of intangible assets | | (456) | (472) |
| Purchase of investment securities | | - | (2,034) |
| Proceed from disposal of property, plant and equipment | | 7 | 38 |
| Proceeds from disposal of investment securities | | 2,636 | - |
| Proceeds from disposal of subsidiaries | | 25,500 | - |
| Acquisition of interest from non-controlling interests | | (6,000) | - |
| Acquisition of associate | | (1,050) | - |
| Net cash generated from/(used in) investing activities | | <u>16,270</u> | <u>(5,851)</u> |

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 12 Months ended 31/12/2017 RM'000 | 12 Months ended 31/12/2016 RM'000 |
|--|------|--|--|
| Cash Flows From Financing Activities | | | |
| Dividend paid to non-controlling interests | | - | (400) |
| Proceeds from issuing of share capital | | - | 5,138 |
| Proceed from term loan drawdown | | 4,000 | - |
| Repayment of hire-purchase liabilities | | (178) | (194) |
| Net cash (used in)/generated from financing activities | | <u>3,822</u> | <u>4,544</u> |
| Net Increase In Cash And Cash Equivalents | | 54,190 - | 16,159 |
| Effect of foreign exchange rate changes | | (2,831) | (698) |
| 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>82,202</u></u> | <u><u>30,843</u></u> |

PENTAMASTER CORPORATION BERHAD (572307-U)

(“PCB” or “Company”)

Notes To The Interim Financial Report For Year Ended 31 December 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 31 December 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)**(“PCB” or “Company”)****Notes To The Interim Financial Report For Year Ended 31 December 2017****8 Contingent Liabilities**

| | As at 31/12/2017 | 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 | 30,500 | 22,000 |
| - Amount utilised | 4,830 | 4,300 |

9 Capital Commitments

| | Amount RM'000 |
|------------------------------------|--------------------------|
| Authorised but not contracted for: | |
| - Property, plant and equipment | 15,341 |
| Contracted but not provided for: | |
| - Property, plant and equipment | 23,361 |

10 Related Party Transaction

| | Current Quarter | Current Year to Date |
|--|------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Project management income billed to Maarj Development Sdn. Bhd. ("MDSB") | 943 | 2,358 |

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

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Year Ended 31 December 2017

11 Segmental Information

Results for the year ended 31 December 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 | 232,564 | 39,079 | 12,230 | 317 | 284,190 |
| Inter-segment revenue | 3,540 | 10,136 | 748 | (14,424) | - |
| Total revenue | 236,104 | 49,215 | 12,978 | (14,107) | 284,190 |
| Results | | | | | |
| Segment results | 49,298 | 3,497 | 1,660 | (10,269) | 44,186 |
| Finance cost | (12) | - | (224) | 70 | (166) |
| Share of associate's loss | - | - | - | (39) | (39) |
| Profit before taxation | 49,286 | 3,497 | 1,436 | (10,238) | 43,981 |
| Taxation | (4,479) | (4) | (326) | - | (4,809) |
| Profit after taxation | 44,807 | 3,493 | 1,110 | (10,238) | 39,172 |

Results for the year ended 31 December 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 | 101,695 | 40,125 | 9,198 | 920 | 151,938 |
| Inter-segment revenue | 2,127 | 3,904 | 113 | (6,144) | - |
| Total revenue | 103,822 | 44,029 | 9,311 | (5,224) | 151,938 |
| Results | | | | | |
| Segment results | 27,180 | 4,932 | 1,099 | (4,279) | 28,932 |
| Finance cost | (15) | - | (8) | (71) | (94) |
| Profit/(Loss) before taxation | 27,165 | 4,932 | 1,091 | (4,350) | 28,838 |
| Taxation | 1,045 | (2) | (296) | - | 747 |
| Profit/(Loss) after taxation | 28,210 | 4,930 | 795 | (4,350) | 29,585 |

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Year Ended 31 December 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) |
| Depreciation and amortisation | (2,737) | (4,990) |
| Foreign exchange loss | (5,959) | (11,439) |
| Gain on disposal of property, plant and equipment | - | 7 |
| Gain on derivatives | 363 | 3,988 |
| Interest income | 151 | 735 |
| Interest expense | (14) | (166) |
| Inventories written down-addition | (2) | (7) |
| Inventories written down-reversal | 2 | 8 |

13 Events Subsequent to the End of the Period

The Company had on 19 January 2018 announced its listing exercise comprising

- (i) the establishment of a share award scheme by the Company for Eligible Employees of the Pentamaster International Limited (“PIL”) Group (“Share Award Scheme”),
- (ii) listing of its subsidiary company namely PIL and
- (iii) its dilution of equity interest in PIL

had been completed following the listing of 1.6 billion PIL shares on the Main Board of the Stock Exchange of Hong Kong Limited.

Subsequently on 8 February 2018, the Company announced the incorporation of Pentamaster Equipment Manufacturing, Inc. (“PEMI”), in the state of California, the United States of America. PEMI is a wholly-owned corporation of Pentamaster Equipment Manufacturing Sdn Bhd, an indirect wholly-owned subsidiary of the Company. The principal activity of PEMI is provision of sales and technical support and PEMI was incorporated for the purpose of providing closer sales and support services to the customers based in the United States of America.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Year Ended 31 December 2017

14 Review of Performance

The Group recorded higher revenue at RM98.5 million in the current quarter as compared to RM43.8 million registered in the corresponding quarter last year, representing an increase of 124.9%. The higher revenue recorded was mainly due to increase in sales from both automated equipment and automated manufacturing solution operating segment as well as smart control solution system. Taking into account the non-recurring expenses of RM3.1 million, the Group recorded a profit before tax of RM13.5 million in the current quarter. Should the effects of the non-recurring expenses be excluded, the Group would have exhibited a pre-tax profit of RM16.6 million which is RM5.5 million (49.6%) higher than the pre-tax profit of RM11.1 million in the previous corresponding quarter.

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

This segment recorded an increase in revenue by RM48.1 million to RM79.6 million as compared to the previous corresponding quarter. The substantial revenue growth of 152.7% was primarily driven by the increase in demand for our MEMS & smart sensor test handler solutions from the semiconductor and telecommunication market particularly the smart device sector. The rise in such demand was underpinned by the increasing prevalence of smart sensors in smart mobile devices as well as the situation where smartphone makers and their related component makers were seen to be upgrading the smart sensors thereby increasing the demand for new testing equipment for these sensors. As a result of higher revenue achieved, this segment recorded a higher profit before tax of RM15.1 million against profit before tax of RM11.2 million in the previous corresponding quarter, which represented an increase of 34.8%. However, the increase in profit before tax was not in tandem with the increase in revenue due to the difference in sales mix and loss on foreign exchange arising from the short term appreciation of Ringgit against the U.S. dollar towards the end of 2017. Such situation has impacted the overall profitability of the Group to a certain degree due to internal banking facilities reorganisation (“reorganisation”) prior to the listing of its subsidiary company namely Pentamaster International Limited. Moving forward, such reorganisation is not expected to recur and the Group will closely monitor and manage its foreign exchange risk by entering into foreign currency forward contracts in mitigating its foreign currency exposure.

2) Automated manufacturing solutions

Revenue from this segment in the current quarter was RM11.0 million higher against revenue of RM8.7 million in the previous corresponding quarter. This was due to higher demand for the integrated manufacturing solution from customers in telecommunication and automotive segment as a result of the increase in demand for factory automation with the prevalence of Industry 4.0, rise in labour costs, shortage of skilled talent and the adoption of technology in manufacturing. Consequently, this segment recorded a profit before tax of RM1.8 million as compared to loss before tax of RM0.5 million in the previous corresponding quarter.

PENTAMASTER CORPORATION BERHAD (572307-U)

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Notes To The Interim Financial Report For Year Ended 31 December 2017

3) Smart control solution system

This segment recorded an increase in revenue by RM1.0 million to RM4.4 million for the current quarter under review. Due to the increase of revenue achieved coupled with the difference in sales mix, this segment recorded a higher profit before tax of RM1.4 million as compared to the profit before tax of RM0.4m in the previous corresponding quarter.

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

For the fourth quarter ended 31 December 2017, the Group recorded higher revenue at RM98.5 million as compared to the revenue of RM83.3 million in the preceding quarter, representing an increase of 18.2%. The higher revenue recorded was mainly due to increase in sales from both automated equipment and automated manufacturing solution operating segment as well as smart control solution system. Taking into account the non-recurring expenses of RM3.1 million, the Group recorded a profit before tax of RM13.5 million in the current quarter. Should the effects of the non-recurring expenses be excluded, the Group would have exhibited a pre-tax profit of RM16.6 million which is RM2.5 million (17.7%) higher than the pre-tax profit of RM14.1 million in the previous corresponding quarter.

Performance of the respective operating segments which includes inter-segment transactions for the fourth quarter ended 31 December 2017 as compared to the preceding quarter is analysed as follows:-

1) Automated equipment

The increase in revenue by RM6.9 million in the current quarter to RM79.6 million as compared to the preceding quarter was mainly due to the continuous increase in demand for our MEMS & smart sensor test handler solutions from customers in telecommunication and semiconductor segment. Consequently, this segment achieved a higher profit before tax of RM15.1 million as compared to RM14.3 million in preceding quarter mainly attributable to higher revenue recorded.

2) Automated manufacturing solutions

Revenue from this segment in the current quarter was RM10.4 million higher against revenue of RM9.4 million in the preceding quarter. This was due to higher sales recorded for the integrated manufacturing solution as a result of project delivery to customers in telecommunication segment. Consequently, this segment recorded a profit before tax of RM1.8 million in the current quarter as compared to the loss before tax of RM1.6 million in the preceding quarter mainly due to the higher revenue achieved.

3) Smart control solution system

Revenue from this segment was RM1.4 million higher than the preceding quarter. As a result of higher revenue achieved coupled with the difference in sales mix, this segment recorded a profit before tax of RM1.4 million as compared to the loss before tax of RM0.2 million in preceding quarter.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Year Ended 31 December 2017

16 Current Year Prospect

The Group expects 2018 to be another good year with the continued strong demand from our customers as evidenced by the secured orders received up to 31 December 2017 that is expected to be delivered in 2018. With such volume of secured orders, the Group intends to further strengthen its market position and expand its business by keeping abreast of the latest technological trends and requirements relevant to the industry and increasing its presence in key geographical markets such as the Greater China region and the United States of America as well as diversifying into other high growth potential industries such as automotive, healthcare equipment and medical devices to broaden its customer base and revenue.

17 Profit Forecast or Profit Guarantee

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

18 Taxation

The taxation charge for the current quarter and year to date is as follows:

| | Current Quarter | Current Year to Date |
|--------------------|------------------------|---------------------------------|
| | RM'000 | RM'000 |
| Income tax payable | 1,498 | 4,809 |
| | <hr/> | <hr/> |
| | 1,498 | 4,809 |
| | <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

The Company had adopted the Share Award Scheme on 8 December 2017 subsequent to obtaining approval from its shareholders on 16 November 2017. Pursuant to the Share Award Scheme, PCB had on 19 December 2017 transferred a total of 20,000 Shares, representing 8.40% of the then issued share capital of PIL, to 232 Eligible Employees of the PIL Group for a total consideration of RM29.5 million. As a result of the transfer of shares in PIL pursuant to the Share Award Scheme, PCB's equity interest in PIL changed from 92.60% to 84.20%.

PENTAMASTER CORPORATION BERHAD (572307-U)
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20 Corporate Proposals

The Company had on 13 June 2017, 19 June 2017, 17 July 2017, 21 July 2017, 31 July 2017, 11 September 2017 and 21 September 2017 announced the following proposals:

- (i) Proposed Listing Exercise of Pentamaster International Limited (“PIL”), a subsidiary of Pentamaster Corporation Berhad, comprising the following:
 - (A) Proposed establishment of a share award scheme for the eligible employees of PIL and its subsidiaries
 - (B) Proposed listing of PCB’s automation solution business on the Main Board of The Stock Exchange of Hong Kong Limited
 - (C) Proposed dilution of PCB’s equity interest in PIL pursuant to the proposed listing;

(“Proposed listing exercise of PIL”)

- (ii) Proposed bonus issue of 11,725,386 new ordinary shares in PCB on the basis of 2 bonus shares for every 25 existing PCB shares held on an entitlement date to be determined later; and (“bonus issue”)
- (iii) Proposed share split involving the subdivision of every 1 PCB share held after the proposed bonus issue into 2 PCB shares (“share split”)

The bonus issue and share split had been completed on 5 December 2017 while the proposed listing exercise of PIL had been completed on 19 January 2018.

Save for the above, there were no corporate proposals announced but not completed as at the date of this announcement.

21 Status of Utilisation of Proceeds from Investment by GEMS

The utilisation of proceeds of RM25.5 million raised from the investment by GEMS (“GEMS Investment”) 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 the completion date of GEMS Investment | Balance RM'000 |
|--|--------------------------------|--------------------------------------|---------------------------------|--|-------------------|
| Expenses in relation to the Proposed Listing | 15,000 | 15,000 | 9,290 | Within one (1) year | 5,710 |
| Repayment of bank borrowings | 7,500 | 7,500 | 7,500 | Within one (1) year | - |
| Staff and other general administrative and operating related expenses | 2,500 | 2,500 | - | Within one (1) year | 2,500 |
| Sales and marketing expenses | 500 | 500 | - | Within one (1) year | 500 |
| | 25,500 | 25,500 | 16,790 | | 8,710 |

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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 (unsecured)</u> | |
| Hire purchase creditor | 187 |
| Term loan | 4,000 |
| <u>Long term borrowings (unsecured)</u> | |
| Hire purchase creditor | 82 |
| Total utilization | 4,269 |

All borrowings are denominated in Ringgit Malaysia.

23 Derivative Financial Instruments

As at the date of the statement of financial position 31 December 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 | 94,181 | 461 | For hedging currency risk arising from sales proceeds in foreign currencies |

For the quarter ended 31 December 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.

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24 Disclosure of Realised and Unrealised Profit/Losses

| | As at 31/12/2017 (RM'000) | As at 31/12/2016 (RM'000) |
|--|--|--|
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 161,613 | 42,040 |
| - Unrealised | (3,241) | (2,452) |
| | 158,372 | 39,588 |
| Add: Consolidation adjustments | (57,455) | (10,695) |
| Total retained profits as per statements of financial position | 100,917 | 28,893 |
| | | |

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 31 December 2017.

27 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 year divided by the weighted average number of ordinary shares in issue during the quarter and the financial year.

| | 3 Months Ended 31/12/2017 RM'000 | 3 Months Ended 31/12/2016 RM'000 | 12 Months Ended 31/12/2017 RM'000 | 12 Months Ended 31/12/2016 RM'000 |
|---|---|---|--|--|
| Profit attributable to owners of the Parent | 10,334 | 9,880 | 35,968 | 27,028 |
| Weighted average number of ordinary shares | 316,585,424 | 311,195,909 | 316,585,424 | 311,195,909 |
| Profit per share attributable to owners of the Parent (sen) | 3.25 | 3.17 | 11.36 | 8.69 |

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BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
26 February 2018