

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 YEAR ENDED 31 DECEMBER 2018**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Year Ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Revenue	112,218	98,504	422,201	284,190
Cost of goods sold	(74,475)	(69,159)	(284,429)	(203,553)
Gross profit	<u>37,743</u>	<u>29,345</u>	<u>137,772</u>	<u>80,637</u>
Other income	8,178	4,405	13,219	5,462
Administrative expenses	(13,336)	(18,434)	(46,447)	(36,357)
Distribution costs	(1,992)	(1,793)	(4,438)	(5,390)
Other operating expenses	(94)	(34)	(243)	(166)
Operating profit	<u>30,499</u>	<u>13,489</u>	<u>99,863</u>	<u>44,186</u>
Finance costs	(46)	(14)	(192)	(166)
Share of results of an associate	(18)	(17)	(65)	(39)
Profit before taxation	<u>30,435</u>	<u>13,458</u>	<u>99,606</u>	<u>43,981</u>
Taxation	(1,117)	(1,498)	(5,587)	(4,809)
Profit and total comprehensive income for the period	<u><u>29,318</u></u>	<u><u>11,960</u></u>	<u><u>94,019</u></u>	<u><u>39,172</u></u>
Profit and total comprehensive income for the period attributable to :				
Owners of the Company	18,835	10,334	57,116	35,968
Non-controlling interests	10,483	1,626	36,903	3,204
	<u><u>29,318</u></u>	<u><u>11,960</u></u>	<u><u>94,019</u></u>	<u><u>39,172</u></u>
Earnings per share attributable to owners of the Company (sen) :-				
- Basic and diluted	5.95	3.26	18.04	11.36

One-off and non-recurring costs

Listing expenses	-	1,062	7,146	5,449
Stamp duty paid for transfer of shares	-	-	-	527
Reported profit for the period	<u>29,318</u>	<u>11,960</u>	<u>94,019</u>	<u>39,172</u>
Adjusted profit for the period	<u><u>29,318</u></u>	<u><u>13,022</u></u>	<u><u>101,165</u></u>	<u><u>45,148</u></u>

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Statement 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 31 DECEMBER 2018**

	Unaudited As at 31/12/2018 RM'000	Audited As at 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	71,651	45,971
Intangible assets	10,797	3,013
Investment property	10,050	-
Investment in an associate	3,046	1,011
	<u>95,544</u>	<u>49,995</u>
Current assets		
Inventories	138,115	121,570
Trade receivables	51,913	41,038
Other receivables, deposits and prepayments	34,829	60,963
Derivative financial assets	-	461
Tax recoverable	984	20
Cash and cash equivalents	<u>324,653</u>	<u>82,202</u>
	<u>550,494</u>	<u>306,254</u>
TOTAL ASSETS	<u><u>646,038</u></u>	<u><u>356,249</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,303	79,303
Reserves	<u>276,934</u>	<u>100,917</u>
	356,237	180,220
Non-controlling interests	<u>118,220</u>	<u>20,126</u>
Total Equity	<u><u>474,457</u></u>	<u><u>200,346</u></u>
LIABILITIES		
Non-current liabilities		
Borrowings	3,346	3,762
Deferred income	288	419
	<u>3,634</u>	<u>4,181</u>
Current liabilities		
Trade payables	40,003	26,050
Other payables, accruals and provision	22,470	124,640
Contract liabilities	99,092	-
Derivative financial liabilities	4,810	-
Borrowings	416	507
Provision for taxation	1,156	525
	<u>167,947</u>	<u>151,722</u>
Total Liabilities	<u><u>171,581</u></u>	<u><u>155,903</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>646,038</u></u>	<u><u>356,249</u></u>

The unaudited Condensed Consolidated Statement of Financial Position as at 31 December 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 YEAR ENDED 31 DECEMBER 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 year	-	-	57,116	57,116	36,903	94,019
Disposal of equity interest to non-controlling interests	-	-	118,901	118,901	61,191	180,092
As at 31 December 2018	<u>79,303</u>	<u>-</u>	<u>276,934</u>	<u>356,237</u>	<u>118,220</u>	<u>474,457</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 year	-	-	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>100,917</u>	<u>180,220</u>	<u>20,126</u>	<u>200,346</u>

The unaudited Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 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 YEAR ENDED 31 DECEMBER 2018**

	12 Months ended 31/12/2018 RM'000	12 Months ended 31/12/2017 RM'000
Cash flows from operating activities		
Profit before taxation	99,606	43,981
Adjustments for:		
Amortisation of intangible assets	3,042	2,748
Deferred income released	(131)	(293)
Depreciation	2,604	2,535
Bad debt recovery	(6)	-
Impairment loss on receivable	-	106
Interest expense	192	166
Interest income	(3,113)	(735)
Loss/(gain) from changes in fair value of foreign currency forward contracts	5,272	(3,988)
Gain on disposal of investment securities	-	(73)
Property, plant and equipment written off	-	14
Gain on disposal of property, plant and equipment	-	(7)
Provision for warranty - current year	736	444
Provision for warranty - reversal	(444)	(195)
Inventory written downs - addition	176	7
Inventory written downs - reversal	(21)	(8)
Share of results of an associate	65	39
Unrealised (gain)/loss on foreign exchange	(8,328)	7,230
Operating profit before working capital changes	<u>99,650</u>	<u>51,971</u>
Increase in inventories	(16,699)	(103,952)
Increase in receivables	(12,391)	(33,832)
Increase in payables	27,413	123,714
Decrease in contract liabilities	(16,938)	-
Cash generated from operations	<u>81,035</u>	<u>37,901</u>
Grant received	-	262
Interest paid	(192)	(166)
Tax paid	(6,002)	(4,042)
Tax refunded	81	143
Net cash generated from operating activities	<u>74,922</u>	<u>34,098</u>
Cash flows from investing activities		
Interest received	3,113	735
Purchase of property, plant and equipment	(28,284)	(5,102)
Purchase of investment property	(10,050)	-
Purchase of intangible assets	(10,826)	(456)
Proceed from disposal of property, plant and equipment	-	7
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	(2,100)	(1,050)
Net cash (used in) / generated from investing activities	<u>(18,647)</u>	<u>16,270</u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2018**

	12 Months ended 31/12/2018 RM'000	12 Months ended 31/12/2017 RM'000
Cash flows from financing activities		
Proceeds from issuance of share capital	180,092	-
Proceed from term loan drawdown	-	4,000
Repayment of finance lease liabilities	(187)	(178)
Repayment of term loan	(320)	-
Net cash generated from financing activities	<u>179,585</u>	<u>3,822</u>
Net increase in cash and cash equivalents	235,860	54,190
Effect of foreign exchange rate changes	6,591	(2,831)
Cash and cash equivalents at the beginning of the year	82,202	30,843
Cash and cash equivalents at the end of the year	<u>324,653</u>	<u>82,202</u>

The unaudited Condensed Consolidated Statement of Cash Flows for the year ended 31 December 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 Year Ended 31 December 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 31 December 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 the following Malaysian Financial Reporting Standards (“MFRS”) that are effective for annual period beginning on or after 1 January 2018:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15	Clarifications to MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 140	Transfers of Investment Property

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.

PENTAMASTER CORPORATION BERHAD (572307-U)

("PCB" or "Company")

Notes To The Interim Financial Report For Year Ended 31 December 2018

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

	As at 31/12/2018	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
- Amount utilised	-	6,452

9 Capital Commitments

	Amount RM'000
Authorised but not contracted for: - Property, plant and equipment	-
Contracted but not provided for: - Property, plant and equipment	18,155

PENTAMASTER CORPORATION BERHAD (572307-U)**(“PCB” or “Company”)****Notes To The Interim Financial Report For Year Ended 31 December 2018****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

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

11 Segmental Information**Results for the year ended 31 December 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	337,884	79,210	5,107		422,201
Inter-segment revenue	10,814	7,192	971	(18,977)	-
Total revenue	348,698	86,402	6,078		422,201
Results					
Segment results	95,720	8,990	582	(5,429)	99,863
Finance costs	(188)	-	(4)		(192)
Share of results of an associate	-	-	-	(65)	(65)
Profit before taxation	95,532	8,990	578		99,606
Taxation	(5,335)	(22)	(230)		(5,587)
Profit after taxation	90,197	8,968	348		94,019

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Year Ended 31 December 2018

Results for the year ended 31 December 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	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		284,190
Results					
Segment results	49,298	3,496	1,660	(10,268)	44,186
Finance costs	(12)	-	(224)	70	(166)
Share of results of an associate	-	-	-	(39)	(39)
Profit before taxation	49,286	3,496	1,436		43,981
Taxation	(4,479)	(4)	(326)		(4,809)
Profit after taxation	44,807	3,492	1,110		39,172

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 amortization	(1,610)	(5,515)
Foreign exchange (loss)/gain	(5,253)	5,485
Gain/(loss) from changes in fair value of foreign currency forward contracts	5,203	(5,272)
Interest income	1,436	3,113
Income from investment	-	-
Interest expense	(46)	(192)
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Inventory written down – addition	(22)	(176)
Inventory written down – reversal	10	21
Provision for and write-off of Receivables	-	-
Listing expenses	-	(7,146)

PENTAMASTER CORPORATION BERHAD (572307-U)**(“PCB” or “Company”)****Notes To The Interim Financial Report For Year Ended 31 December 2018****13 Events Subsequent to the End of the Year**

There are no material events subsequent to the end of the year under review that have not been reflected in the interim financial report.

14 Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Year Financial Year Ended		
	31/12/2018	31/12/2017	Variance	31/12/2018	31/12/2017	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	112,218	98,504	13.9	422,201	284,190	48.6
Operating profit	30,499	13,489	126.1	99,863	44,186	126.0
Profit before taxation	30,435	13,458	126.1	99,606	43,981	126.5
Profit and total comprehensive income for the period	29,318	11,960	145.1	94,019	39,172	140.0

The Group recorded higher revenue at RM112.2 million in the current quarter as compared to RM98.5 million registered in the corresponding quarter last year, representing an increase of 13.9%. The higher revenue recorded was mainly due to increase in sales from both the automated equipment and automated manufacturing solution operating segment.

The Group recorded a higher revenue at RM422.2 million for the twelve months ended 31 December 2018 as compared to RM284.2 million recorded in the previous corresponding period, representing an increase of 48.6%. The Group's revenue was contributed by the increase in demand from both the automated equipment and automated manufacturing solution segments, which constituted approximately 80.0% and 18.8% of the Group's total external revenue during the year ended 31 December 2018 respectively.

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

	Individual Quarter 3 Months Ended				Cumulative Year Financial Year Ended			
	31/12/2018		31/12/2017		31/12/2018		31/12/2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Telecommunication	75,692	67.5	56,438	57.3	304,421	72.1	174,293	61.3
Automotive	11,313	10.1	10,935	11.1	45,839	10.9	16,292	5.7
Semiconductor	11,213	10.0	22,127	22.4	41,228	9.8	62,216	21.9
Consumer electronics	12,997	11.6	5,112	5.2	21,346	5.1	17,820	6.3
Medical devices	723	0.6	60	0.1	1,421	0.3	61	0.0
Others	280	0.2	3,832	3.9	7,946	1.8	13,508	4.8
Total	112,218		98,504		422,201		284,190	

Due to higher revenue achieved during the three months ended 31 December 2018, the Group consequently recorded a higher profit before taxation of RM30.4 million in the current quarter as compared to the profit before taxation of RM13.5 million in the previous corresponding quarter, representing an increase of 126.1%.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Year Ended 31 December 2018

The Group recorded a profit before taxation of RM99.6 million for the year ended 31 December 2018 as compared to profit before taxation of RM44.0 million for the year ended 31 December 2017, an increase of 126.5% 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 RM106.8 million, an increase of 113.6% from RM50.0 million recorded in the previous corresponding period. The increase in the profit before taxation for the year ended 31 December 2018 is mainly due to improvement in the Group's operating efficiency.

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-product testing for consumer electronics products and LEDs.

This segment recorded an increase in revenue by RM0.6 million or 0.8% to RM80.2 million for the three months ended 31 December 2018 as compared to the corresponding quarter last year and an increase in revenue by RM112.6 million or 47.7% to RM348.7 million for the year ended 31 December 2018 as compared to the previous year ended 31 December 2017. The commendable revenue growth was mainly attributable to the continuous strong demand for the Group's smart sensor test equipment and solutions, particularly from the telecommunication segment given the continuous and increasing prevalence of smart sensors adopted in the latest smartphone upgrade as well as smartphone peripherals that includes wearable items (such as the wireless headphone products and watch). The Group continued to experience strong sales orders throughout 2018 with four consecutive quarter-on-quarter growth especially from its flagship test solutions in ambient and proximity sensors, besides its 3D sensors test equipment and solutions.

As a result of higher revenue achieved, changes in sales mix and improvement in the Group's operating efficiency, this segment recorded higher profit before taxation by RM10.4 million or 68.4% in the current quarter under review as compared to profit before taxation of RM15.2 million in the corresponding quarter last year. For the year ended 31 December 2018, the Group's profit before taxation is higher by RM46.2 million or 93.7% as compared to the previous corresponding period.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“PCB” or “Company”)

Notes To The Interim Financial Report For Year Ended 31 December 2018

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 RM33.7 million in the current quarter and RM86.4 million for the year ended 31 December 2018 as compared to revenue of RM19.8 million in the corresponding quarter last year and RM49.2 million for the previous year ended 31 December 2017, representing an increase of approximately 70.2% and 75.6%, respectively. The increase in revenue from this segment was mainly due to higher demand for the integrated manufacturing solution from customers in the telecommunication and automotive segment.

Consequently, profit before taxation in this segment is higher by RM3.1 million in the current quarter under review and RM5.5 million for the year ended 31 December 2018 as compared to profit before taxation of RM1.8 million in the previous corresponding quarter and RM3.5 million for the previous corresponding year ended 31 December 2017, due to favorable changes in sales mix.

3) Smart control solution system

The smart control solution system segment recorded revenue of RM0.3 million in the current quarter and RM6.1 million for the year ended 31 December 2018 as compared to revenue of RM4.4 million and RM13.0 million in the corresponding quarter last year and previous corresponding period respectively. This segment recorded a loss before taxation of RM0.3 million in the current quarter under review and profit before taxation of RM0.6 million for the year ended 31 December 2018 as compared to profit before taxation of RM1.4 million in the corresponding quarter last year and profit before taxation of RM1.4 million for the previous year ended 31 December 2017.

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

	3 Months Ended	3 Months Ended	Variance
	31/12/2018	30/9/2018	
	RM'000	RM'000	%
Revenue	112,218	108,303	3.6
Operating profit	30,499	28,613	6.6
Profit before taxation	30,435	28,556	6.6
Profit and total comprehensive income for the period	29,318	26,717	9.7

For the fourth quarter ended 31 December 2018, the Group recorded higher revenue at RM112.2 million as compared to the revenue of RM108.3 million in the preceding quarter, representing an increase of 3.6%. The higher revenue recorded in the current quarter under review was due to increase in sales from automated manufacturing solution operating segment.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Year Ended 31 December 2018

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

	3 Months Ended 31/12/2018		3 Months Ended 30/9/2018	
	RM’000	%	RM’000	%
Telecommunication	75,692	67.5	86,143	79.5
Automotive	11,313	10.1	9,677	8.9
Semiconductor	11,213	10.0	8,308	7.7
Consumer electronics	12,997	11.6	408	0.4
Medical devices	723	0.6	293	0.3
Others	280	0.2	3,474	3.2
Total	112,218		108,303	

The Group recorded a higher profit before taxation of RM30.4 million in the current quarter as compared to the profit before taxation of RM28.6 million in the preceding quarter, representing an increase of 6.3% which was in tandem with the increase in revenue.

Performance of the respective operating segments which includes inter-segment transactions for the fourth quarter ended 31 December 2018 as compared to the preceding quarter is analysed as follows:-

1) Automated equipment

During the three months ended 31 December 2018, revenue from the automated equipment segment decreased by RM8.2 million to RM80.2 million as compared to the preceding quarter of RM88.4 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. This segment achieved a lower profit before taxation of RM25.6 million as compared to RM27.4 million in preceding quarter mainly attributable to changes in sales mix.

2) Automated manufacturing solution

Revenue from this segment in the current quarter was RM12.4 million higher against revenue of RM21.3 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 RM4.9 million in the current quarter as compared to the profit before taxation of RM1.6 million in the preceding quarter.

3) Smart control solution system

Revenue from this segment was RM2.7 million lower than the preceding quarter. In tandem with lower revenue in the current quarter, this segment recorded a loss before taxation of RM0.3 million as compared to the profit before taxation of RM1.4 million in the preceding quarter.

PENTAMASTER CORPORATION BERHAD (572307-U)

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Notes To The Interim Financial Report For Year Ended 31 December 2018

16 Prospect

Despite a challenging year in the overall technology sector in 2018, the Group remains optimistic and expects 2019 to be another good year. The Group expects the growth in the coming years to be mainly driven by (i) demand for the Group’s test equipment and solutions to cater to the wider adoption of smart sensors in a broader product range and segment; (ii) broadening exposure in the 3D sensor module test equipment and solutions, covering various 3D testing requirements such as Structured Light (SL), Time of Flight (ToF) and Vertical Cavity Surface Emitting Laser (VCSEL); and (iii) diversification into the automotive sector as a result of higher adoption rate of electronic devices and the growth in electric vehicles.

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	1,117	5,587

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.

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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 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	-	Within two (2) years	20,000
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
Total	29,500	29,500	9,500		20,000

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.*

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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	82
Term loan	334
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	
Term loan	3,346
Total	3,762

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.

23 Derivative Financial Instruments

As at the date of the statement of financial position 31 December 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	162,763	(4,810)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 31 December 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.

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24 Material Litigations

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

25 Dividends

As at the date of this announcement, the Board of Directors (“Board”) does not recommend any dividend in respect of the quarter ended 31 December 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 31/12/2018 RM'000	3 Months Ended 31/12/2017 RM'000	12 Months Ended 31/12/2018 RM'000	12 Months Ended 31/12/2017 RM'000
Profit and total comprehensive income attributable to owners of the Company	18,835	10,334	57,116	35,968
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)	5.95	3.26	18.04	11.36

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
27 February 2019