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PENTAMASTER INTERNATIONAL LIMITED

檳傑科達國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1665)

**UNAUDITED FIRST QUARTERLY RESULTS
ANNOUNCEMENT FOR THE THREE MONTHS ENDED
31 MARCH 2019**

The board (the "Board") of directors ("Directors") of Pentamaster International Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, "we", "us", "our" or the "Group") for the three months ended 31 March 2019 ("1Q2019"), together with the comparative figures for the three months ended 31 March 2018 ("1Q2018") (*expressed in Ringgit Malaysia "MYR"*).

The unaudited first quarterly results of the Group is released in conjunction with the quarterly results announcement of Pentamaster Corporation Berhad, the holding company of the Company in Malaysia pursuant to the Listing Requirements of the Main Market of the Bursa Malaysia Securities Berhad.

FINANCIAL HIGHLIGHTS

For the three months ended 31 March	2019	2018
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Revenue	116,670	98,048
Gross profit	41,128	29,533
Profit for the period	30,274	21,211
Adjusted profit for the period	30,274	22,858
Earnings per share (sen)		
Basic and diluted	1.89	1.33

- Revenue of the Group was MYR116.7 million, representing an increase of approximately 19.0% over the corresponding period last year.
- Adjusted profit for the period stood at MYR30.3 million, representing an increase of approximately 32.4% over the corresponding period last year (after excluding non-recurring listing expenses in 1Q2018).
- Cash and bank deposits of MYR269.3 million as at 31 March 2019 against MYR217.7 million as at 31 December 2018.
- Order book of approximately MYR252.4 million based on purchase orders secured from our customers as at 31 March 2019 that is expected to be delivered in the remaining months of 2019 and first half of 2020.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2019 (Unaudited) MYR'000	31/3/2018 (Unaudited) MYR'000	31/3/2019 (Unaudited) MYR'000	31/3/2018 (Unaudited) MYR'000
Revenue	116,670	98,048	116,670	98,048
Cost of goods sold	(75,542)	(68,515)	(75,542)	(68,515)
Gross profit	41,128	29,533	41,128	29,533
Other income	5,482	5,915	5,482	5,915
Administrative expenses	(12,081)	(12,553)	(12,081)	(12,553)
Distribution costs	(1,677)	(128)	(1,677)	(128)
Other operating expenses	(36)	(54)	(36)	(54)
Operating profit	32,816	22,713	32,816	22,713
Finance costs	(44)	(49)	(44)	(49)
Share of results of an associate	(87)	(19)	(87)	(19)
Profit before taxation	32,685	22,645	32,685	22,645
Taxation	(2,411)	(1,434)	(2,411)	(1,434)
Profit and total comprehensive income for the period	30,274	21,211	30,274	21,211
Earnings per share attributable to owners of the Company (sen):-				
- Basic and diluted	1.89	1.33	1.89	1.33
One-off and non-recurring costs				
Listing expenses	-	1,647	-	1,647
Reported profit for the period	30,274	21,211	30,274	21,211
Adjusted profit for the period	30,274	22,858	30,274	22,858

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2019 should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

AS AT 31 MARCH 2019

	As at 31/3/2019 (Unaudited) MYR'000	As at 31/12/2018 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	65,195	64,034
Leasehold land	7,585	7,621
Intangible assets	2,180	1,697
Investment in an associate	3,659	3,046
	<u>78,619</u>	<u>76,398</u>
Current assets		
Inventories	124,577	138,115
Trade receivables	31,149	48,701
Other receivables, deposits and prepayments	14,656	16,212
Tax recoverable	204	816
Cash and cash equivalents	269,294	217,705
	<u>439,880</u>	<u>421,549</u>
Total assets	<u>518,499</u>	<u>497,947</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONTINUED)**

AS AT 31 MARCH 2019

	As at 31/3/2019 (Unaudited) MYR'000	As at 31/12/2018 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,054	8,054
Reserves	342,599	312,325
Total equity	350,653	320,379
LIABILITIES		
Non-current liabilities		
Deferred income	144	288
	144	288
Current liabilities		
Trade payables	33,039	38,378
Other payables, accruals and provision	18,633	21,915
Contract liabilities	102,327	99,092
Amount due to ultimate holding company	8,125	8,207
Amount due to a fellow subsidiary	-	6
Derivative financial liabilities	618	4,810
Finance lease liabilities	-	36
Bank borrowing	3,597	3,680
Provision for taxation	1,363	1,156
	167,702	177,280
Total liabilities	167,846	177,568
Total equity and liabilities	518,499	497,947

The unaudited Condensed Consolidated Statement of Financial Position as at 31 March 2019 should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2019

	Equity attributable to owners of the Company					
	Share capital	Share premium	Capital reserve	Retained profits	Proposed final dividends	Total equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
As at 1 January 2019 (Audited)	8,054	84,936	44,477	170,479	12,433	320,379
Profit and total comprehensive income for the period	-	-	-	30,274	-	30,274
As at 31 March 2019 (Unaudited)	8,054	84,936	44,477	200,753	12,433	350,653

	Equity attributable to owners of the Company					
	Share capital	Share premium	Capital reserve	Retained profits	Proposed final dividends	Total equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
As at 1 January 2018 (Audited)	1	-	44,477	82,903	-	127,381
Profit and total comprehensive income for the period	-	-	-	21,211	-	21,211
<i>Transaction with owners:</i>						
Issuance of share capital pursuant to the Share Offer	967	92,022	-	-	-	92,989
Issuance of share capital pursuant to the Capitalisation Issue	7,086	(7,086)	-	-	-	-
As at 31 March 2018 (Unaudited)	8,054	84,936	44,477	104,114	-	241,581

The unaudited Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2019 should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH 2019

	3 Months ended 31/3/2019 (Unaudited) MYR'000	3 Months ended 31/3/2018 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	32,685	22,645
Adjustments for :		
Amortisation of intangible assets	185	181
Deferred income released	(144)	(33)
Depreciation	858	542
Interest expense	44	49
Interest income	(1,131)	(228)
Gain from changes in fair value of foreign currency forward contracts	(4,192)	(5,454)
Inventory written down –addition	20	130
Inventory written down –reversal	(8)	-
Share of results of an associate	87	19
Unrealised loss on foreign exchange	2,248	3,926
Operating profit before working capital changes	30,652	21,777
Decrease/(increase) in inventories	13,526	(1,005)
Decrease/(increase) in receivables	18,639	(5,772)
Decrease in payables	(8,627)	(20,042)
Increase in contract liabilities	3,235	17,977
Net change in a fellow subsidiary's balance	(6)	58
Cash generated from operations	57,419	12,993
Interest paid	(44)	(49)
Tax paid	(1,590)	(1,119)
Tax refunded	-	25
Net cash generated from operating activities	55,785	11,850

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (CONTINUED)**

FOR THE THREE MONTHS ENDED 31 MARCH 2019

	3 Months ended 31/3/2019 (Unaudited) MYR'000	3 Months ended 31/3/2018 (Unaudited) MYR'000
Cash flows from investing activities		
Interest received	1,131	228
Purchase of property, plant and equipment	(1,983)	(2,287)
Purchase of intangible assets	(668)	(206)
Investment in an associate	(700)	-
Net cash used in investing activities	<u>(2,220)</u>	<u>(2,265)</u>
Cash flows from financing activities		
Advance from ultimate holding company	(82)	(1,199)
Repayment of finance lease liabilities	(36)	(34)
Proceeds from issuance of share capital, net	-	92,989
Repayment of term loan	(82)	(79)
Net cash (used in)/generated from financing activities	<u>(200)</u>	<u>91,677</u>
Net increase in cash and cash equivalents	53,365	101,262
Cash and cash equivalents at the beginning of the period	217,705	81,643
Effect of foreign exchange rate changes	(1,776)	(2,640)
Cash and cash equivalents at the end of the period	<u>269,294</u>	<u>180,265</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's 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 equipment: Designing, development and manufacturing of standard and non-standard automated equipment.
- (ii) Automated manufacturing solution: Designing, development and installation of integrated automated manufacturing solutions.

The performance of the respective operating segments for the three months ended 31 March 2019 as compared to the previous corresponding period is outlined as below:

Unaudited results for the three months ended 31 March 2019

	Automated equipment	Automated manufacturing solution	Adjustment	<i>Note</i>	Total
	MYR'000	MYR'000	MYR'000		MYR'000
Revenue					
External customers	99,361	17,309			116,670
Inter-segment revenue	2,868	354	(3,222)	<i>(i)</i>	-
Total revenue	<u>102,229</u>	<u>17,663</u>			<u>116,670</u>
Results					
Segment results	31,377	2,247	(1,939)		31,685
Interest income	1,040	91			1,131
Interest expense	(44)	-			(44)
Share of results of an associate	-	-	(87)		(87)
Profit before taxation	<u>32,373</u>	<u>2,338</u>			<u>32,685</u>
Taxation	<u>(2,394)</u>	<u>(17)</u>			<u>(2,411)</u>
Profit for the period	<u><u>29,979</u></u>	<u><u>2,321</u></u>			<u><u>30,274</u></u>

Unaudited results for the three months ended 31 March 2018

	Automated equipment	Automated manufacturing solution	Adjustment	Note	Total
	MYR'000	MYR'000	MYR'000		MYR'000
Revenue					
External customers	90,353	7,695			98,048
Inter-segment revenue	781	4,731	(5,512)	(i)	-
Total revenue	<u>91,134</u>	<u>12,426</u>			<u>98,048</u>
Results					
Segment results	23,263	938	(1,716)		22,485
Interest income	222	6			228
Interest expense	(49)	-			(49)
Share of results of an associate	-	-	(19)		(19)
Profit before taxation	<u>23,436</u>	<u>944</u>			<u>22,645</u>
Taxation	<u>(1,433)</u>	<u>(1)</u>			<u>(1,434)</u>
Profit for the period	<u><u>22,003</u></u>	<u><u>943</u></u>			<u><u>21,211</u></u>

Note to segment information:

(i) Inter-segment revenues are eliminated on consolidation.

The Group recorded a higher revenue at MYR116.7 million in 1Q2019 as compared to MYR98.0 million recorded in 1Q2018, representing an increase of approximately 19.0%. The Group's revenue was primarily contributed by both automated equipment and automated manufacturing solution segments which constituted approximately 85.2% and 14.8% of the Group's total revenue respectively.

Automated equipment ("AE") segment

This segment recorded an increase in revenue by MYR11.1 million to MYR102.2 million in 1Q2019 as compared to the previous corresponding period. The increase in revenue by approximately 12.2% from this segment as compared to 1Q2018 was mainly attributable to the continuous strong demand for the Group's smart sensor test equipment and solutions in the current quarter, particularly from the telecommunications segment given the continuous increasing volume of smart sensors in new generation mobile devices as well as its peripherals upgrade that come equipped with better features and capabilities. Taking into account the current trend where new generation devices typically have a higher turnover rate and shorter time-to-market, the demand for our smart sensor test equipment remains robust in 2019.

Automated manufacturing solution (“AMS”) segment

Revenue from the AMS segment in 1Q2019 was MYR5.2 million higher than the revenue of MYR12.4 million recorded in the previous corresponding period, representing an increase of approximately 42.1%. The increase in revenue from this segment was mainly due to higher demand for our integrated manufacturing solutions and modules as well as our i-ARMS (intelligent Automated Robotic Manufacturing System) solutions. Such higher demand resulted in a better performance in the AMS segment which witnessed an increasing adoption of automation technology in manufacturing by customers in telecommunications and automotive segments as well as consumer and industrial products segment in the current quarter.

The following table sets out revenue breakdown by customers’ segment for both AE and AMS segments:

For the three months ended 31 March	2019 (Unaudited)		2018 (Unaudited)	
	MYR’000	%	MYR’000	%
Telecommunications	75,112	64.4	69,200	70.6
Consumer and industrial products	15,076	12.9	3,252	3.3
Semiconductor	14,742	12.6	14,992	15.3
Automotive	11,693	10.0	8,729	8.9
Medical devices	47	0.1	-	-
Others	-	-	1,875	1.9
	116,670	100.0	98,048	100.0

Gross margin

The Group achieved an improved gross profit margin of approximately 35.3% in 1Q2019 as opposed to the gross profit margin of 30.1% recorded in the previous corresponding quarter last year. Such improvement was primarily attributable to project scalability with repeat orders as well as improved product margin secured from projects delivered to customers in the telecommunications segment. The AMS segment also achieved better gross profit margin in the current quarter as a result of economies of scale brought about by the increase in revenue contribution from the automotive segment as well as the consumer and industrial product segment.

Other income

Other income decreased from MYR5.9 million in 1Q2018 to MYR5.5 million in 1Q2019. Other income mainly consisted of gain from changes in fair value of foreign currency forward contracts of MYR4.2 million recorded during the current quarter. The gain from changes in fair value of foreign currency forward contracts was offset by a net loss on foreign exchange of approximately MYR5.4 million recorded under administrative expenses during the current quarter, giving rise to a net loss on foreign exchange of approximately MYR1.2 million. The net loss on foreign exchange was primarily due to the short term appreciation of our functional currency, MYR against the U.S. dollar towards the end of 1Q2019.

Administrative expenses

Administrative expenses mainly comprised the movement arising from foreign exchange, administrative staff cost and professional fees. Administrative expenses decreased slightly from MYR12.6 million recorded in 1Q2018 to MYR12.1 million in 1Q2019, mainly due to the combination of the following factors:

- (i) there were no non-recurring listing expenses captured in 1Q2019 as opposed to the listing expenses of MYR1.6 million recorded in 1Q2018.

The above decrease in costs were partially offset by:

- (i) increase in administrative staff cost by MYR0.2 million in 1Q2019 mainly due to an increase in staff remuneration; and
- (ii) higher loss on foreign exchange of approximately MYR0.6 million recorded in 1Q2019 due to the short term appreciation of our functional currency, MYR against the U.S. dollar towards the end of 1Q2019.

Profit for the period

The Group closed its first quarter of 2019 with a net profit of MYR30.3 million (1Q2018: MYR21.2 million), representing an increase of approximately 42.7% versus 1Q2018. Accordingly, the EBITDA (earnings before interest, tax, depreciation and amortisation) for the first quarter of 2019 stood at MYR33.8 million as compared to MYR25.1 million in the first quarter of 2018, representing an increase of approximately 34.7%. The higher profit recorded by the Group in 1Q2019 was largely contributed by the higher sales volume and better product mix delivered across a more diversified customer base and industry in the current quarter.

Prospect

The Group expects 2019 to be another good year with continued strong demand from its customers considering the size of its outstanding secured orders. In view of the continuous supply of its flagship test solutions, the broadening exposure of the Group in 3D sensing technology in VCSEL (vertical cavity surface emitting laser) and its efforts in diversifying its expertise across other business segments and customers, the Directors maintain a positive outlook of the Group's performance in 2019. Both AE and AMS segments should see growth momentum driven by the adoption of 5G in the telecommunications and automotive sectors as well as the prevalence of Industry 4.0 revolution in the consumer and industrial products segment.

PUBLICATION OF FIRST QUARTERLY RESULTS ANNOUNCEMENT

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.pentamaster-international-ltd.com) respectively.

By order of the Board
Pentamaster International Limited
Chuah Choon Bin
Chairman and Executive Director

Malaysia, 15 May 2019

As at the date of this announcement, the Board comprises Mr. Chuah Choon Bin and Ms. Gan Pei Joo as executive Directors; Mr. Leng Kean Yong as non-executive Director; and Ms. Chan May May, Dr. Chuah Jin Chong and Mr. Sim Seng Loong @ Tai Seng as independent non-executive Directors.