

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 THIRD QUARTERLY RESULTS
ANNOUNCEMENT FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

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 nine months ended 30 September 2018 ("the period"), together with the comparative figures for the nine months ended 30 September 2017 ("previous corresponding period") (expressed in Ringgit Malaysia "MYR").

The unaudited third 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 nine months ended 30 September	2018	2017
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Revenue	305,160	176,970
Gross Profit	98,380	49,563
Profit for the period	71,599	27,348
Adjusted profit for the period	73,246	32,262
Earnings per share (sen)		
Basic and diluted	4.47	1.87

- Revenue of the Group was MYR305.2 million, representing an increase of 72.4% over the corresponding period last year.
- Adjusted profit for the period (excluding non-recurring listing expenses) stood at MYR73.2 million, representing an increase of 127.0% over the corresponding period last year.
- Cash and cash equivalents of MYR222.2 million as at 30 September 2018 against MYR81.6 million as at 31 December 2017.
- Order book of approximately MYR285.7 million based on purchase orders secured from our customers as at 30 September 2018 that is expected to be delivered in the remaining months of 2018 and the first half of 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/9/2018 (Unaudited) MYR'000	30/9/2017 (Unaudited) MYR'000	30/9/2018 (Unaudited) MYR'000	30/9/2017 (Unaudited) MYR'000
Revenue	105,789	80,340	305,160	176,970
Cost of goods sold	(71,015)	(60,038)	(206,780)	(127,407)
Gross profit	34,774	20,302	98,380	49,563
Other income	1,142	439	12,244	5,113
Administrative expenses	(7,302)	(9,574)	(31,999)	(20,598)
Distribution costs	(843)	(1,610)	(2,437)	(3,450)
Other operating expenses	(32)	(3)	(125)	(11)
Operating profit	27,739	9,554	76,063	30,617
Finance costs	(46)	(3)	(143)	(10)
Share of results of an associate	(9)	(6)	(47)	(22)
Profit before taxation	27,684	9,545	75,873	30,585
Taxation	(1,644)	(1,014)	(4,274)	(3,237)
Profit and total comprehensive income for the period	26,040	8,531	71,599	27,348
Profit and total comprehensive income for the period attributable to :				
Owners of the Company	26,040	8,438	71,599	26,298
Non-controlling interests	-	93	-	1,050
	26,040	8,531	71,599	27,348
Earnings per share attributable to owners of the Company (sen):-				
- Basic and diluted	1.63	0.60	4.47	1.87
One-off and non-recurring costs				
Listing expenses	-	4,140	1,647	4,387
Stamp duty paid for transfer of shares resulted from the Company Listing	-	527	-	527
Reported profit for the period	26,040	8,531	71,599	27,348
Adjust profit for the period	26,040	13,198	73,246	32,262

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

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

	As at 30/9/2018 (Unaudited) MYR'000	As at 31/12/2017 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	63,947	38,209
Leasehold land	7,657	7,704
Intangible assets	1,603	932
Investment in an associate	2,364	1,012
	<u>75,571</u>	<u>47,857</u>
Current assets		
Inventories	126,068	121,541
Trade receivables	61,212	32,648
Other receivables, deposits and prepayments	8,947	7,855
Derivative financial assets	-	461
Cash and cash equivalents	222,195	81,643
Tax recoverable	-	4
	<u>418,422</u>	<u>244,152</u>
Total assets	<u>493,993</u>	<u>292,009</u>

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

AS AT 30 SEPTEMBER 2018

	As at 30/9/2018 (Unaudited) MYR'000	As at 31/12/2017 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	92,991	1
Reserves	198,979	127,380
	<u>291,970</u>	<u>127,381</u>
Total equity	<u>291,970</u>	<u>127,381</u>
LIABILITIES		
Non-current liabilities		
Finance lease liabilities	-	36
Deferred income	321	419
	<u>321</u>	<u>455</u>
Current liabilities		
Trade payables	19,853	24,551
Other payables, accruals and provision	156,317	123,605
Amount due to ultimate holding company	9,733	10,799
Amount due to a fellow subsidiary	141	555
Derivative financial liabilities	10,014	-
Finance lease liabilities	71	138
Bank borrowing	3,761	4,000
Provision for taxation	1,812	525
	<u>201,702</u>	<u>164,173</u>
Total liabilities	<u>202,023</u>	<u>164,628</u>
Total equity and liabilities	<u>493,993</u>	<u>292,009</u>

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

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

	Equity attributable to owners of the Company					Non- controlling interests MYR'000	Total equity MYR'000
	Share capital MYR'000	Capital reserve MYR'000	Retained profits MYR'000	Sub-total MYR'000			
As at 1 January 2018 (Audited)	1	44,477	82,903	127,381	-	127,381	
<i>Transaction with owners:</i>							
Issuance of new shares	96,654	-	-	96,654	-	96,654	
Share issue expenses	(3,664)	-	-	(3,664)	-	(3,664)	
Total comprehensive income for the period	-	-	71,599	71,599	-	71,599	
As at 30 September 2018 (Unaudited)	92,991	44,477	154,502	291,970	-	291,970	

	Equity attributable to owners of the Company					Non- controlling interests MYR'000	Total equity MYR'000
	Share capital MYR'000	Capital reserve MYR'000	Retained profits MYR'000	Sub-total MYR'000			
As at 1 January 2017 (Audited)	-	39,450	43,257	82,707	3,977	86,684	
<i>Transaction with owners:</i>							
Total comprehensive income for the period	-	-	26,298	26,298	1,050	27,348	
Issuance of share capital	*	-	-	*	-	*	
Changes in ownership interest in a subsidiary	-	5,027	-	5,027	(5,027)	-	
As at 30 September 2017 (Unaudited)	-	44,477	69,555	114,032	-	114,032	

*Representing one share of HK\$0.01

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	9 Months ended 30/9/2018 (Unaudited) MYR'000	9 Months ended 30/9/2017 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	75,873	30,585
Adjustments for :		
Amortisation of intangible assets	685	504
Amortisation of leasehold land	46	31
Deferred income released	(98)	(260)
Gain on disposal of investment securities	-	(74)
Depreciation	1,660	1,927
Interest expense	143	10
Interest income	(1,029)	(504)
Loss/(Gain) from changes in fair value of foreign currency forward contracts	10,475	(3,625)
Inventory written down –addition	154	6
Inventory written down –reversal	(11)	(7)
Impairment loss on receivables –addition	-	106
Property, plant and equipment written off	-	14
Share of results of an associate	47	22
Unrealised(gain)/loss on foreign exchange	(10,261)	4,377
Operating profit before working capital changes	77,684	33,112
Increase in inventories	(4,669)	(112,076)
(Increase)/decrease in receivables	(26,724)	2,845
Increase in payables	30,052	96,130
Net change in a fellow subsidiary's balance	(413)	-
Cash generated from operations	75,930	20,011
Grant received	-	262
Interest paid	(143)	(10)
Tax paid	(3,007)	(2,105)
Tax refunded	25	-
Net cash generated from operating activities	72,805	18,158

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	9 Months ended 30/9/2018 (Unaudited) MYR'000	9 Months ended 30/9/2017 (Unaudited) MYR'000
Cash flows from investing activities		
Interest received	1,029	504
Purchase of computer software	(1,356)	(290)
Purchase of property, plant and equipment	(27,397)	(1,088)
Purchase of leasehold land	-	(2,507)
Proceed from disposal of investment securities	-	2,636
Investment in an associate	(1,400)	(1,050)
Net cash used in investing activities	<u>(29,124)</u>	<u>(1,795)</u>
Cash flows from financing activities		
Repayments to ultimate holding company	(1,066)	-
Repayment of finance lease liabilities	(103)	(98)
Proceed from issuance of share capital	96,654	-
Share issue expenses	(3,664)	-
Repayment of bank borrowing	(239)	-
Net cash generated from/(used in) financing activities	<u>91,582</u>	<u>(98)</u>
Net increase in cash and cash equivalents	135,263	16,265
Effect of foreign exchange rate changes	5,289	(1,117)
Cash and cash equivalents at the beginning of the period	81,643	26,298
Cash and cash equivalents at the end of the period	<u>222,195</u>	<u>41,446</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's two reportable segments continue to chalk commendable growth for the nine months ended 30 September 2018. The reportable segments of the Group are as follows:

- (i) Automated equipment: Designing, development and manufacturing of standard and non-standard standalone automated equipment.
- (ii) Automated manufacturing solution: Designing, development and installation of customised integrated automated manufacturing solutions.

Below outlined the performance of the respective operating segments for the nine months ended 30 September 2018 as compared to the previous corresponding period:–

Unaudited results for the nine months ended 30 September 2018

	Automated equipment	Automated manufacturing solution	Adjustment	<i>Note</i>	Total
	MYR'000	MYR'000	MYR'000		MYR'000
Revenue					
External customers	258,860	46,300	-		305,160
Inter-segment revenue	9,616	6,396	(16,012)	(i)	-
Total revenue	<u>268,476</u>	<u>52,696</u>	<u>(16,012)</u>		<u>305,160</u>
Results					
Segment results	70,031	4,076	1,956		76,063
Finance costs	(143)	-	-		(143)
Share of results of an associate	-	-	(47)		(47)
Profit before taxation	<u>69,888</u>	<u>4,076</u>	<u>1,909</u>		<u>75,873</u>
Taxation	(4,266)	(8)	-		(4,274)
Profit for the period	<u>65,622</u>	<u>4,068</u>	<u>1,909</u>		<u>71,599</u>

Unaudited results for the nine months ended 30 September 2017

	Automated equipment	Automated manufacturing solution	Adjustment	Note	Total
	MYR'000	MYR'000	MYR'000		MYR'000
Revenue					
External customers	153,625	23,345	-		176,970
Inter-segment revenue	2,833	6,080	(8,913)	(i)	-
Total revenue	<u>156,458</u>	<u>29,425</u>	<u>(8,913)</u>		<u>176,970</u>
Results					
Segment results	34,136	1,669	(5,188)		30,617
Finance costs	(10)	-	-		(10)
Share of results of an associate	-	-	(22)		(22)
Profit/(loss) before taxation	<u>34,126</u>	<u>1,669</u>	<u>(5,210)</u>		<u>30,585</u>
Taxation	<u>(3,234)</u>	<u>(3)</u>	<u>-</u>		<u>(3,237)</u>
Profit/(loss) for the period	<u><u>30,892</u></u>	<u><u>1,666</u></u>	<u><u>(5,210)</u></u>		<u><u>27,348</u></u>

Note to segment information:

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

The Group recorded a higher revenue at MYR305.2 million for the nine months ended 30 September 2018 as compared to MYR177.0 million recorded in the previous corresponding period, representing an increase of 72.4%. The Group's revenue was contributed by both the automated equipment and automated manufacturing solution segments which constituted approximately 84.8% and 15.2% of the Group's total revenue during the nine months ended 30 September 2018 respectively.

Automated equipment segment

This segment recorded an increase in revenue by MYR112.0 million to MYR268.5 million for the nine months ended 30 September 2018 as compared to the previous corresponding period. The substantial increase in revenue by approximately 71.6% from this segment was mainly attributable to the continuous surge in demand for test equipment particularly the flagship test solutions in ambient and proximity sensors customised for the smart mobile device sector. Such demand was underpinned by the increasing volume and complexity of smart sensors in mobile devices resulting in the growth in demand and the revenue for this business segment.

Automated manufacturing solution segment

Revenue from the automated manufacturing solution segment for the nine months ended 30 September 2018 was MYR52.7 million, which was MYR23.3 million higher than the revenue of MYR29.4 million recorded in the previous corresponding period, representing an increase of 79.1%. The increase in revenue from this segment was mainly due to higher volume of project delivery involving factory automation lines comprising the AMS (automated manufacturing solution) modules and i-ARMS (intelligent Automated Robotic Manufacturing System) solutions.

The following table sets out revenue breakdown by customers' segment for both the automated equipment and automated manufacturing solution segments:

For the nine months ended 30 September	2018 (Unaudited)		2017 (Unaudited)	
	MYR'000	%	MYR'000	%
Telecommunication	228,729	75.0	117,855	66.6
Automotive	34,526	11.3	5,357	3.0
Semiconductor	30,015	9.8	40,089	22.7
Consumer electronics	8,349	2.7	12,708	7.2
Medical devices	698	0.2	1	0.0
Others	2,843	1.0	960	0.5
	305,160	100.0	176,970	100.0

Gross margin

The Group achieved gross margin of 32.9% and 32.2% for the third quarter and the nine months ended 30 September 2018 respectively, as opposed to the gross margin of 25.3% and 28.0% for the third quarter and the previous corresponding nine-month period in year 2017. The improvement in gross profit was primarily attributable to the increase in revenue contribution from delivery of projects with better margin from the telecommunication and automotive sector. The projects with better margin mainly arose from customers' repeat orders received during the period.

Other income

Other income increased to MYR12.2 million which was mainly consisted of foreign exchange gain of MYR10.7 million recorded during the nine months ended 30 September 2018. The gain on foreign exchange arose from the appreciation of U.S. dollar against MYR during the period. However, such gain on foreign exchange was offset by the loss from changes in fair value of foreign currency forwards contracts of MYR10.5 million recorded under the administrative expenses, resulting in a net gain on foreign exchange of approximately MYR0.2 million during the period.

Administrative expenses

Administrative expenses increased to MYR32.0 million during the period from MYR20.6 million in the previous corresponding period, mainly attributable to the loss from changes in fair value of foreign currency forward contracts and the increase in staff costs.

The Group's sales and receivables were predominantly denominated in U.S. dollar. As part of the Group's treasury policy to manage its foreign exchange exposure, the Group entered into foreign exchange forward contracts to minimise the effects of adverse exchange rate fluctuations on the financial position of the Company. The loss from changes in fair value of foreign currency forward contracts of MYR10.5 million was mainly due to the appreciation of U.S. dollar against MYR during the period. This loss was offset by the net gain on foreign exchange of approximately MYR10.7 million recorded under other income.

In addition to the above, staff costs increased to MYR7.3 million during the nine months ended 30 September 2018 from MYR3.2 million during the previous corresponding period mainly due to an increase in both staff remuneration and headcount.

Profit for the period

From the bottom line perspective, the Group closed its nine months ended 30 September 2018 with a net profit of MYR71.6 million (30 September 2017: MYR27.3 million) after taking into account the listing expenses incurred in the beginning of the year in relation to the listing exercise of the Company. Should the effects of such expenses be excluded, the Group would have exhibited a net profit of MYR73.2 million, an increase of 126.7% from MYR32.3 million recorded in the previous corresponding period. Similarly, the adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) for the period stood at MYR80.1 million as compared to MYR37.9 million in the previous corresponding period.

Prospect

Based on the achievement so far, the Group expects to end 2018 with a significant growth as compared to 2017, given the continuous strong demand from the Group's customers as evidenced by the size of outstanding secured orders. The Group's flagship test solutions in ambient and proximity sensors have enabled the Group to accomplish commendable achievements and gain customers' recognition of the Group's technology solutions. Going forward, the management remains confident in the demand for the Group's automated test equipment as well as automated manufacturing solution in view of (i) the increasing volume and complexity of smart sensors, (ii) the prevalence of 3D sensing technology, (iii) the Group's continuous diversification and expansion into new segments particularly the automotive and medical industries, and (iv) the Group's increased floor space with the completion of the new production plant.

The Group will continue to focus on its operational capabilities and strategic initiatives by leveraging on its extensive experience, skill set and technical know-how that are built over the years in this dynamic marketplace which requires continuous technological advancement. With that, the management believes the Group is in an unparalleled position to ride on the latest technological trends which enables the opportunity to propel the Group to the next level of business growth.

PUBLICATION OF THIRD 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).

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

Malaysia, 1 November 2018

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.