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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “Board”) of directors (the “Directors”) of Pentamaster International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, “we”, “us”, “our” or the “Group”) for the six months ended 30 June 2019 (“1H2019”), together with the comparative figures for the six months ended 30 June 2018 (“1H2018”) (*expressed in Ringgit Malaysia “MYR”*). Such information should be read in conjunction with the prospectus of the Company dated 29 December 2017 (the “Prospectus”) and the annual report of the Company for the financial year ended 31 December 2018 published on 25 April 2019 (the “Annual Report”).

The interim 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 six months ended 30 June	2019	2018
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Revenue	236,979	199,370
Gross profit	84,889	63,605
Profit for the period	61,730	45,558
Adjusted profit for the period	61,730	47,205
Earnings per share (sen)		
Basic and diluted	3.86	2.85

- Revenue of the Group was MYR237.0 million, representing an increase of 18.9% over the corresponding period last year.
- Adjusted profit for the period stood at MYR61.7 million, representing an increase of 30.8% over the corresponding period last year.
- Cash and cash equivalents of MYR289.1 million as at 30 June 2019 against MYR217.7 million as at 31 December 2018.
- Order book of approximately MYR238.7 million based on purchase orders secured from customers that is expected to be delivered in the remaining months of 2019 and the first half of 2020.
- The Board does not recommend any interim dividend in respect of the six months ended 30 June 2019.

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2019

	<i>Notes</i>	Individual Quarter		Cumulative Year	
		3 Months Ended		Financial Period Ended	
		30/6/2019 (Unaudited) MYR'000	30/6/2018 (Unaudited) MYR'000	30/6/2019 (Unaudited) MYR'000	30/6/2018 (Unaudited) MYR'000
Revenue	5	120,309	101,323	236,979	199,370
Cost of goods sold		<u>(76,549)</u>	<u>(67,251)</u>	<u>(152,090)</u>	<u>(135,765)</u>
Gross profit		43,760	34,072	84,889	63,605
Other income	6	3,360	15,433	7,685	11,102
Administrative expenses		(10,433)	(22,390)	(21,358)	(24,697)
Distribution costs		(1,741)	(1,465)	(3,418)	(1,594)
Other operating expenses		(109)	(39)	(145)	(93)
Operating profit		34,837	25,611	67,653	48,323
Finance costs		(65)	(48)	(108)	(97)
Share of results of an associate		(39)	(19)	(126)	(38)
Profit before taxation	7	34,733	25,544	67,419	48,188
Taxation	8	(3,278)	(1,196)	(5,689)	(2,630)
Profit and total comprehensive income for the period		<u>31,455</u>	<u>24,348</u>	<u>61,730</u>	<u>45,558</u>
Earnings per share attributable to owners of the Company (sen):					
– Basic and diluted	10	1.97	1.52	3.86	2.85
One-off and non-recurring costs					
Listing expenses		–	–	–	1,647
Reported profit for the period		<u>31,455</u>	<u>24,348</u>	<u>61,730</u>	<u>45,558</u>
Adjusted profit for the period		<u>31,455</u>	<u>24,348</u>	<u>61,730</u>	<u>47,205</u>

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months ended 30 June 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 30 JUNE 2019

		As at 30/6/2019 (Unaudited) MYR'000	As at 31/12/2018 (Audited) MYR'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		66,573	64,034
Leasehold land		7,549	7,621
Intangible assets		5,263	1,697
Interest in an associate		3,620	3,046
		<u>83,005</u>	<u>76,398</u>
Current assets			
Inventories		98,182	138,115
Trade receivables	<i>11</i>	54,373	48,701
Other receivables, deposits and prepayments	<i>12</i>	15,855	16,212
Amount due from ultimate holding company		24	–
Amount due from a fellow subsidiary		6	–
Tax recoverable		8	816
Cash and cash equivalents		289,062	217,705
		<u>457,510</u>	<u>421,549</u>
Total assets		<u><u>540,515</u></u>	<u><u>497,947</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2019

		As at 30/6/2019 (Unaudited) MYR'000	As at 31/12/2018 (Audited) MYR'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		8,054	8,054
Reserves		361,217	312,325
Total equity		<u>369,271</u>	<u>320,379</u>
LIABILITIES			
Non-current liabilities			
Deferred income		131	288
		<u>131</u>	<u>288</u>
Current liabilities			
Trade payables	13	37,904	38,378
Other payables, accruals and provision	14	18,201	21,915
Dividend payable	9	12,838	–
Contract liabilities	15	94,765	99,092
Amount due to ultimate holding company		–	8,207
Amount due to a fellow subsidiary		–	6
Derivative financial liabilities		128	4,810
Finance lease liabilities		–	36
Bank borrowing		3,536	3,680
Provision for taxation		3,741	1,156
		<u>171,113</u>	<u>177,280</u>
Total liabilities		<u>171,244</u>	<u>177,568</u>
Total equity and liabilities		<u>540,515</u>	<u>497,947</u>

The unaudited condensed consolidated statement of financial position as at 30 June 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 SIX MONTHS ENDED 30 JUNE 2019

	Equity attributable to owners of the Company				Total equity MYR'000
	Share capital MYR'000	Share premium MYR'000	Capital reserve MYR'000	Retained profits MYR'000	
	As at 1 January 2019 (Audited)	8,054	84,936	44,477	
Profit and total comprehensive income for the period	-	-	-	61,730	61,730
<i>Transactions with owners:</i>					
Dividend	-	-	-	(12,838)	(12,838)
As at 30 June 2019 (Unaudited)	8,054	84,936	44,477	231,804	369,271

	Equity attributable to owners of the Company				Total equity MYR'000
	Share capital MYR'000	Share premium MYR'000	Capital reserve MYR'000	Retained profits MYR'000	
	As at 1 January 2018 (Audited)	1	-	44,477	
Profit and total comprehensive income for the period	-	-	-	45,558	45,558
<i>Transactions 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 30 June 2018 (Unaudited)	8,054	84,936	44,477	128,461	265,928

The unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 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 SIX MONTHS ENDED 30 JUNE 2019

	6 Months ended 30/6/2019 (Unaudited) MYR'000	6 Months ended 30/6/2018 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	67,419	48,188
Adjustments for:		
Amortisation of intangible assets	365	389
Amortisation of leasehold land	73	31
Deferred income released	(157)	(66)
Depreciation	1,696	1,110
Interest expense	108	97
Interest income	(2,779)	(493)
Gain on disposal of property, plant & equipment	(14)	–
(Gain)/loss from changes in fair value of foreign currency forward contracts	(4,683)	9,414
Inventories written off	303	–
Inventory written down – addition	2,380	144
Inventory written down – reversal	(403)	(9)
Impairment loss on trade receivables	2,098	–
Share of results of an associate	126	38
Unrealised loss/(gain) on foreign exchange	1,062	(10,466)
Operating profit before working capital changes	67,594	48,377
Decrease/(increase) in inventories	37,652	(27,384)
Increase in receivables	(7,205)	(18,905)
(Decrease)/increase in payables	(4,526)	14,558
(Decrease)/increase in contract liabilities	(4,327)	7,880
Net change in a fellow subsidiary's balance	(12)	(297)
Cash generated from operations	89,176	24,229
Interest paid	(108)	(97)
Tax paid	(2,683)	(1,928)
Tax refunded	388	25
Net cash generated from operating activities	86,773	22,229

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	6 Months ended 30/6/2019 (Unaudited) MYR'000	6 Months ended 30/6/2018 (Unaudited) MYR'000
Cash flows from investing activities		
Interest received	2,779	493
Proceeds from disposal of property, plant and equipment	24	–
Purchase of intangible assets	(3,932)	(1,113)
Purchase of property, plant and equipment	(4,245)	(9,200)
Investment in an associate	(700)	(1,400)
	<u>(6,074)</u>	<u>(11,220)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayment to ultimate holding company	(8,231)	(5,114)
Repayment of finance lease liabilities	(36)	(68)
Proceed from issuance of share capital,net	–	92,989
Repayment of term loan	(143)	(158)
	<u>(8,410)</u>	<u>(158)</u>
Net cash (used in)/generated from financing activities		
	<u>(8,410)</u>	<u>87,649</u>
Net increase in cash and cash equivalents	72,289	98,658
Cash and cash equivalents at the beginning of the period	217,705	81,643
Effect of foreign exchange rate changes	(932)	5,634
	<u>(932)</u>	<u>5,634</u>
Cash and cash equivalents at the end of the period	289,062	185,935
	<u>289,062</u>	<u>185,935</u>

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 June 2017 as an exempted company with limited liability under the Companies Law. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 January 2018 ("Listing Date").

The Company is an investment holding company and has not carried on any business since its incorporation save for the group reorganisation below. The Group is principally engaged in (i) designing, development and manufacturing of standard and non-standard automated equipment and (ii) designing, development and installation of integrated automated manufacturing solutions (the "Listing Business").

The Company's immediate holding company is Pentamaster Corporation Berhad ("PCB"), a company incorporated in Malaysia with its shares listed on the Main Market of Bursa Malaysia Berhad. As at 30 June 2019, the Directors regard PCB as the ultimate holding company.

2. BASIS OF PRESENTATION

Prior to the group reorganisation (the "Reorganisation") as detailed in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and corporate structure" of the Prospectus, PCB directly owned the companies operating the Listing Businesses. Pursuant to the Reorganisation, the companies engaged in the Listing Businesses were transferred to the Company and the Company became the holding company of the companies now comprising the Group on 17 July 2017.

Immediately prior to and after the Reorganisation, the Listing Businesses are controlled by PCB. Accordingly, there was a continuation of risks and benefits to PCB and the Reorganisation is considered to be a restructuring of entities under common control.

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the years, or since their respective dates of incorporation, where it is a shorter period. The condensed consolidated statement of financial position at the end of the reporting period have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates and using the book values from PCB's perspective.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These condensed consolidated financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”). The condensed consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018. The accounting policies and methods of computation adopted for the condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2018.

In the current interim period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for annual accounting periods beginning on or after 1 January 2019.

IFRS 16	Leases
IFRIC23	Uncertainty over income Tax treatment
IFRS9	Prepayment Features with Negative Compensation
IAS28	Long-term interests in Associate and Joint Ventures

The application of the new or revised standards, amendments and interpretations in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for:

- financial instruments classified as at fair value through profit or loss, and
- derivative financial instruments (other than linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured)

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The condensed consolidated financial statements are presented in Ringgit Malaysia (“MYR”), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“MYR’000”), except when otherwise indicated.

(c) Future changes in IFRSs

At the date of this announcement, the following new and amended IFRSs have been published but are not yet effective and have not been adopted early by the Group.

IFRS3	Business Combinations ⁴
Amendments to IAS1 and IAS8	Definition of Material ¹
IFRS17	Insurance contracts ²
Amendments to IFRS 10 and IAS28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ *Effective for annual periods beginning on or after 1 January 2020*

² *Effective for annual periods beginning on or after 1 January 2021*

³ *Effective date not yet determined*

⁴ *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. These new and amended IFRSs are not expected to have a material impact on the Group’s financial performance and financial position.

4. SEGMENT INFORMATION

The Group has two reportable segments which comprised its major business segments. These business segments are involved in different activities and are managed by segment managers who report directly to the Group's executive directors. The Group has redefined its reportable segments in the current quarter to enhance the description of the segments to better reflect its range of products and solutions provided by the segments. There are no changes to the classification of the products and solutions by segment and there are no differences between the measurements used in these reporting segment information and those used in the entity's financial statements, and changes in the measurement of segment amounts from period to period. The reportable segments are as follows:

- | | | |
|------|---|---|
| (i) | Automated test equipment:
(Previously known as automated equipment) | Designing, development and manufacturing of standard and non-standard automated equipment |
| (ii) | Factory automation solutions:
(Previously known as automated manufacturing solution) | Designing, development and installation of integrated automated manufacturing solutions. |

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies. No other operating segments have been aggregated to form the above reportable segments. Investment holding activities are not considered as reporting segment and the related financial information has been included under "Adjustment".

4. SEGMENT INFORMATION (Continued)

The Group's executive directors monitor the performance of the business segments through regular discussions held with the segment managers and review of internal management reports. The performance of each business segment is evaluated based on the segment's profit or loss which is measured on a basis not significantly different from the profit or loss included in the condensed consolidated financial statements.

An analysis of the Group's revenue and results by operating and reportable segment is as follows:

Unaudited results for the six months ended 30 June 2019

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	201,749	35,230	-		236,979
Inter-segment revenue	6,827	3,932	(10,759)	(i)	-
Total revenue	<u>208,576</u>	<u>39,162</u>			<u>236,979</u>
Results					
Segment results	63,204	4,397	(2,726)		64,875
Interest income	2,558	220			2,778
Interest expense	(108)	-	-		(108)
Share of results of an associate	-	-	(126)		(126)
Profit before taxation	<u>65,654</u>	<u>4,617</u>			<u>67,419</u>
Taxation	<u>(5,661)</u>	<u>(28)</u>			<u>(5,689)</u>
Profit for the period	<u><u>59,993</u></u>	<u><u>4,589</u></u>			<u><u>61,730</u></u>

4. SEGMENT INFORMATION (Continued)

Unaudited results for the six months ended 30 June 2018

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	174,253	25,117	–		199,370
Inter-segment revenue	<u>5,873</u>	<u>6,241</u>	(12,114)	(i)	<u>–</u>
Total revenue	<u>180,126</u>	<u>31,358</u>			<u>199,370</u>
Results					
Segment results	42,145	2,463	3,222		47,830
Interest income	470	23	–		493
Finance costs	(97)	–	–		(97)
Share of results of an associate	<u>–</u>	<u>–</u>	(38)		<u>(38)</u>
Profit before taxation	42,518	2,486			48,188
Taxation	<u>(2,628)</u>	<u>(2)</u>			<u>(2,630)</u>
Profit for the period	<u><u>39,890</u></u>	<u><u>2,484</u></u>			<u><u>45,558</u></u>

Note to segment information:

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

4. SEGMENT INFORMATION (Continued)

Geographical information

(i) Revenue breakdown based on the locations which purchase orders were derived from:

	For the six months ended 30 June			
	2019		2018	
	(Unaudited) MYR'000	%	(Unaudited) MYR'000	%
Singapore	127,438	53.8%	114,218	57.3%
Taiwan	25,091	10.6%	14,094	7.1%
China	16,585	7.0%	29,524	14.8%
Philippines	16,138	6.8%	1,512	0.8%
Japan	14,836	6.3%	4,102	2.1%
Ireland	14,136	6.0%	7,956	4.0%
Malaysia	6,840	2.9%	18,748	9.4%
Germany	5,694	2.4%	46	0.0%
United States	4,064	1.7%	6,336	3.2%
Thailand	1,493	0.6%	433	0.2%
Others	4,664	1.9%	2,401	1.1%
	<u>236,979</u>	<u>100.0%</u>	<u>199,370</u>	<u>100.0%</u>

(ii) Revenue breakdown based on the shipment destination:

	For the six months ended 30 June			
	2019		2018	
	(Unaudited) MYR'000	%	(Unaudited) MYR'000	%
Singapore	130,705	55.2%	113,520	56.9%
China	33,034	13.9%	38,945	19.5%
Taiwan	26,382	11.1%	14,386	7.2%
Philippines	23,715	10.0%	2,515	1.3%
Malaysia	6,840	2.9%	18,773	9.4%
Germany	5,694	2.4%	46	0.0%
United States	4,003	1.7%	541	0.3%
Japan	2,738	1.2%	4,102	2.1%
Thailand	1,525	0.6%	501	0.3%
Hungary	883	0.4%	92	0.1%
Others	1,460	0.6%	5,949	2.9%
	<u>236,979</u>	<u>100.0%</u>	<u>199,370</u>	<u>100.0%</u>

5. REVENUE

The Group's revenue from external customers recognised during the period is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Invoiced value of goods sold less returns and discounts	232,619	196,051
Service rendered	4,360	3,319
	<u>236,979</u>	<u>199,370</u>

The Group generated most of its revenue through the provision of products and solutions to its customers. Service rendered represented provision of service to customers such as (i) upgrading of software programming; (ii) annual maintenance support; (iii) repair and technical services; and (iv) vision integration programming for test handlers.

6. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Bank interest income	2,779	493
Deferred income released	157	66
Gain on foreign exchange (<i>note (i)</i>)	–	10,250
Gain on disposal of property, plant and equipment	14	–
Gain from changes in fair value of foreign currency forward contracts (<i>note (i)</i>)	4,683	–
Rental income	44	187
Others	8	106
	<u>7,685</u>	<u>11,102</u>

Note:

- (i) Gain on foreign exchange and gain from changes in fair value of foreign currency forward contracts for six months ended 30 June 2018 have been restated to better reflect its actual movement so as to be consistent with the movement calculated for the six months ended 30 June 2019.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging/(crediting):

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Amortisation of intangible assets	365	389
Amortisation of leasehold land	73	31
Auditor's remuneration	216	182
Deferred income released	(157)	(66)
Depreciation	1,696	1,110
Net (gain)/loss from changes in fair value of foreign currency forward contracts	(4,683)	9,414
Gain on disposal of property, plant and equipment	(14)	–
Impairment loss on trade receivables	2,098	–
Inventory written downs to net realisable value		
–addition	2,380	144
–reversal	(403)	(9)
Inventory written off	303	–
Net loss/(gain) on foreign exchange	4,269	(10,250)
Operating lease charges		
–hostel	388	437
–office	44	33
Listing expenses	–	1,647

8. TAXATION

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Malaysian income tax is calculated at the statutory tax rate of 24% on the estimated chargeable income arising in Malaysia for 1H2019 and 1H2018. 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 the production of certain products and solutions.

9. DIVIDENDS

The Directors do not recommend any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

At the Board meeting held on 27 February 2019, the Board proposed a final dividend of HK\$0.015 per share for the year ended 31 December 2018 (the “2018 Final Dividend”). The proposal in relation to the 2018 Final Dividend was subsequently approved at the annual general meeting of the Company held on 10 June 2019 (2018: Nil). The amount of the 2018 Final Dividend totalling HK\$24.0 million (equivalent to approximately MYR12.8 million) was paid to all shareholders of the Company on 26 July 2019.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	<u><u>61,730</u></u>	<u><u>45,558</u></u>
Number of shares	<u><u>1,600,000,000</u></u>	<u><u>1,600,000,000</u></u>

There were no dilutive potential ordinary shares and therefore, diluted earnings per share equals to basic earnings per share.

11. TRADE RECEIVABLES

The normal credit terms granted to trade receivables range from 0 to 90 days. Based on the invoice date, the ageing analysis of trade receivables, net of provision for impairment, was as follows:

	30 June 2019 (Unaudited) MYR'000	31 December 2018 (Audited) MYR'000
0-30 days	9,819	3,553
31-60 days	18,628	3,708
61-90 days	3,962	10,448
Over 90 days	21,964	30,992
	54,373	48,701

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2019 (Unaudited) MYR'000	31 December 2018 (Audited) MYR'000
Other receivables	45	43
Refundable deposits	10,890	1,396
Non-refundable deposits (<i>note (i)</i>)	2,089	9,023
Prepayments	885	420
Goods and services tax claimable	1,946	5,330
	15,855	16,212

Note:

- (i) Non-refundable deposits are mainly for deposits paid to suppliers for purchase of raw materials/ services.

13. TRADE PAYABLES

The normal credit terms granted by trade payables range from 30 to 120 days. Based on the invoice date, the ageing analysis of trade payables is as follows:

	30 June 2019 (Unaudited) MYR'000	31 December 2018 (Audited) MYR'000
0-30 days	22,226	17,379
31-60 days	11,435	17,692
61-90 days	2,804	2,034
Over 90 days	1,439	1,273
	<u>37,904</u>	<u>38,378</u>

14. OTHER PAYABLES, ACCRUALS AND PROVISION

	30 June 2019 (Unaudited) MYR'000	31 December 2018 (Audited) MYR'000
Other payables	1,181	1,831
Accruals	16,284	19,348
Provision for warranty	736	736
	<u>18,201</u>	<u>21,915</u>

15. CONTRACT LIABILITIES

	30 June 2019 (Unaudited) MYR'000	31 December 2018 (Audited) MYR'000
Contract liabilities arising from receiving deposits of manufacturing orders	<u>94,765</u>	<u>99,092</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

Amid the uncertainties in the current global trade environment, the Group continued to report yet another strong set of financials for the second quarter and the first half of 2019. With the Group's business focus on high customisation, the continuous demand and positive acceptance of its broad range of test equipment and integrated automation products and solutions had contributed to the revenue growth of approximately 18.9% from MYR199.4 million in 1H2018 to MYR237.0 million in 1H2019. Both segments of the Group, the automated test equipment ("ATE") and factory automation solutions ("FAS") segments, witnessed growth which respectively constituted approximately 85.1% and 14.9% of the total Group's revenue.

	Revenue		Fluctuation %
	1H2019 (Unaudited) MYR'000	1H2018 (Unaudited) MYR'000	
ATE	208,576	180,126	15.8%
FAS	39,162	31,358	24.9%

ATE segment

The ATE segment, consisting of (i) semiconductor electronic components testing for smart sensors and ICs (integrate circuits), and (ii) end products testing for consumer electronics products and LEDs, remains the Group's major revenue source. This segment recorded an increase in revenue of MYR28.5 million to MYR208.6 million in 1H2019 as compared to the corresponding period in 2018. Given the continuous and increasing prevalence of smart sensors arising from the improvement in smartphone trends and accelerating growth from wearable items, the 15.8% increase was driven predominantly by the continuous strong demand for the Group's smart sensor test equipment and solutions especially its flagship test solutions in ambient and proximity sensors. Adding to the revenue growth in 1H2019 was the Group's exposure to 3D sensing technology through its supply of dot projector assembly and test equipment catering mainly for the telecommunications sector.

FAS segment

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, consumer and industrial products as well as medical devices. Revenue from this segment in 1H2019 was MYR39.2 million, which was MYR7.8 million higher as compared to the corresponding period in the prior year, representing an increase of approximately 24.9%. The growth was mainly due to higher demand for the Group's proprietary intelligent Automated Robotic Manufacturing System ("i-ARMS") solutions as well as its integrated manufacturing solutions and modules that caters for a wide spectrum of customers in various industries as described above.

Following the commencement of operations of the Group's second production plant in Batu Kawan, Penang with a gross floor area of approximately 90,000 sq.ft., revenue contribution from this segment is expected to grow with higher volume of project delivery which involved large-scale factory automation lines, such as the i-ARMS solutions, in the second half of the year.

The following table sets out revenue breakdown by customers' segment for both the ATE segment and FAS segments:

	For the six months ended 30 June			
	2019		2018	
	(Unaudited) MYR'000	%	(Unaudited) MYR'000	%
Telecommunications	156,837	66.2%	142,586	71.5%
Automotive	31,736	13.4%	24,849	12.5%
Consumer and industrial products	27,725	11.7%	7,940	4.0%
Semiconductor	19,989	8.4%	21,708	10.9%
Medical devices	692	0.3%	404	0.2%
Others	–	–	1,883	0.9%
	<u>236,979</u>	<u>100.0%</u>	<u>199,370</u>	<u>100.0%</u>

Gross margin

The Group achieved a gross margin of 36.4% and 35.8% for the second quarter and the first half of the year respectively, as opposed to 33.6% and 31.9% for the second quarter and the first half of year 2018 respectively. The improvement in gross margin was mainly due to (i) delivery of projects with better margin from a larger volume of repeat orders from customers, (ii) project scalability, and (iii) increase in revenue contribution from the automotive sector as well as the consumer and industrial products sectors.

Other income

The Group's other income decreased from MYR11.1 million recorded in 1H2018 to MYR7.7 million in 1H2019 due to the fact that the Group recorded a gain on foreign exchange of approximately MYR10.3 million in 1H2018 while the Group recorded a loss on foreign exchange in 1H2019 under administrative expenses. Such decrease was partially offset by the gain recognised from changes in fair value of foreign currency forward contracts in 1H2019 of MYR4.7 million and increase in interest income of MYR2.3 million. This gain, arising from the appreciation of MYR against the U.S. dollar towards the end of the second quarter of year 2019, was offset by a net loss on foreign exchange of approximately MYR4.3 million as recorded under the administrative expenses, giving rise to a net gain recognised on foreign exchange of approximately MYR0.4 million in the first half of the year.

Administrative expenses

Administrative expenses of the Group mainly comprised of the movement arising from foreign exchange, professional fees and administrative staff cost. In 1H2019, the Group's administrative expenses decreased by MYR3.3 million from MYR24.7 million in 1H2018 to MYR21.4 million. This was mainly due to the following factors:

- (i) loss on foreign exchange of MYR4.7 million during the first half of the year while the Group recorded loss from changes in fair value of foreign currency forward contracts of MYR10.2 million in 1H2018; and
- (ii) non-recurring listing expenses of MYR1.7 million incurred in the first half of 2018 where there were no such expenses incurrence in 1H2019.

The above decrease in costs were partially offset by:

- (i) higher administrative staff cost of MYR11.1 million in 1H2019 (1H2018: MYR9.4 million) due to increase in staff remuneration and incentive;
- (ii) allowance for doubtful debts of MYR2.1 million made in 1H2019 (1H2018: Nil); and
- (iii) a marginal increase in professional fees from MYR0.5 million in 1H2018 to MYR0.6 million in 1H2019 as part of the Group's listing maintenance expenses.

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 its financials. During the first half of 2019, the Group recorded a loss on foreign exchange of approximately MYR4.3 million under administrative expenses. This loss was offset by a gain of MYR4.7 million from changes in fair value of foreign currency forward contracts recorded under other income. Effectively, the Group's net gain on foreign exchange stood at approximately MYR0.4 million during the first half of the year.

Profit for the period

The Group closed its first half of year 2019 with a net profit of MYR61.7 million, an increase of 30.8%, as opposed to the adjusted net profit of MYR47.2 million in 1H2018 after excluding the one-off listing expenses incurred in the first quarter of 2018. Separately, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the first half of 2019 stood at MYR69.7 million as compared to the adjusted EBITDA of MYR50.9 million recorded in 1H2018, representing an increase of 36.9%. Basic earnings per share rose from MYR2.85 sen in 1H2018 to MYR3.86 sen in 1H2019.

Liquidity, financial resources and capital structure

The financial position of the Group remains healthy, exhibiting improved current ratio and gearing ratio as depicted in the following table:

	As at 30 June 2019 (Unaudited) MYR'000	As at 31 December 2018 (Audited) MYR'000	<i>Notes</i>
Current assets	457,510	421,549	
Current liabilities	171,113	177,280	
Current ratio (times)	2.67	2.38	<i>note 1</i>
Gearing ratio (%)	0.96	3.71	<i>note 2</i>

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective period.
- (2) Gearing ratio is calculated based on the total debts (being amount due to ultimate holding company, amounts due to a fellow subsidiary, finance lease liabilities and bank borrowing) divided by total equity as at the end of each respective year and multiply by 100.0%.

The Group continued to maintain a robust working capital position at MYR286.4 million as at 30 June 2019 (31 December 2018: MYR244.3 million). The Group generated net cash from operations of MYR86.8 million in 1H2019 as compared to MYR22.2 million in the previous corresponding period, while its cash and cash equivalents increased from MYR217.7 million as at 31 December 2018 to MYR289.1 million as at 30 June 2019. The Group had available banking facilities of MYR19.5 million as at 30 June 2019 in the form of term loan and trade facilities (31 December 2018: MYR27.5 million), out of which the Group had drawn MYR3.5 million to partly finance the purchase of leasehold land for the Group's new production plant in Batu Kawan, Penang.

Foreign exchange exposure

The Group is exposed to foreign currency risk as a result of its normal trading activities whereby sales and to a certain degree, purchases are principally transacted in U.S. dollar. The Group also holds other financial assets and liabilities denominated in foreign currencies. These are not the functional and reporting currencies of the Group to which the transactions relate.

As such, the Group mitigates the exposure of this risk by maintaining U.S. dollar denominated bank accounts as well as entering into foreign currency forward contracts.

Prospects

Despite the fact that the revised world economic outlook forecast projecting a global growth of 3.5% in 2019, which was a downward revision by 0.1% as compared to the forecast issued in October 2018, the Group's operations remain buoyant by the rising demand for its test equipment and solutions given the wider adoption of smart sensors as well as the increasing need for its factory automation solutions with the prevalence of Industry 4.0. Against this backdrop, the Group anticipates a positive growth momentum given (i) its deeper involvement and participation with its customers in both its ATE and FAS segments; (ii) its broadening exposure in the optical and optoelectronics segments; (iii) its active diversification into other sectors, particularly the automotive and medical sectors; and (iv) the vast potential and opportunities in its i-ARMS solutions with factory automation becoming increasingly ubiquitous.

The application of 3D sensing towards a more diverse range of smartphone devices as well as other devices and applications creates a huge market opportunity for the Group to tap into and expand its clientele base. Particularly, the Group's exposure in vertical cavity surface emitting laser ("VCSEL") as part of its optoelectronic solutions will present new business opportunities for the Group. The prevalence of VCSEL technology has led to their use in a wide range of sensing, imaging, scanning and ranging applications across multiple fields. In this regard, the proprietary development solutions for the VCSEL wafer level testing and burn-in test machine, namely ZETA and TROOPER, comes at an opportune time for the Group to ride on this platform.

The Group has taken strategic approach in diversifying and capitalising on the demand for highly customised testing equipment for the automotive sector. As it is, the Group's exposure to the automotive segment has generated commendable contribution. In 1H2019, this segment registered a 27.7% growth rate as compared to 1H2018. With the emergence of smart vehicle electronic devices and the continuous growth of electric vehicles coupled with VCSEL technology which has a dominant presence for LiDAR (light detection and ranging) application in the automotive industry, the Group's diversification and exposure in the automotive industry are both encouraging and timely.

In addition to organic growth, the Group believes it has reached a stage to embark on opportunities for potential acquisitions or business collaboration that are synergistic to its business in order to propel the Group to the next level. Such potential transaction has to be strategically value enhancing in enabling the Group to expand its presence and further increase its market share in the industry where the Group operates in.

The Group remains focused and steadfast in its research and development commitment that is geared towards meeting the needs of its customers. In the technology space in which the Group competes in are defined by rapid technological evolution, it is important for the Group to remain ahead of the technology curve by developing new technologies that enhance its existing products and solutions which are relevant and meeting the needs of the marketplace. Going forward, the Group will continue to invest and plough its resources in developing new products and solutions.

The Group is prudently optimistic for the second half of the year and that year 2019 will be another promising year with plentiful business opportunities in this dynamic yet challenging market. The Group is also heartened to be listed consecutively for the third year in Forbes "2019 Asia's 200 Best Under a Billion Company", after having been awarded the ranking in 2017 and 2018 respectively. While it is a notable achievement, the Group will continue to strive towards delivering value to all its stakeholders going forward into the upcoming decade.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 19 January 2018 at the offer price of HK\$1.00 per share (the “Listing”). The proceeds (net of listing expenses) from the Listing were approximately HK\$171.3 million (equivalent to approximately MYR92.6 million). In accordance with the proposed use of net proceeds as set out in the section headed “Future plans and Use of Proceeds” in the Prospectus, the net proceeds utilised by the Group from the Listing Date up to 30 June 2019 are as follows:

Use of net proceeds	Amount of net proceeds earmarked		Use of proceeds from the Listing	Unutilised amount	Unutilised proportion	Notes
	HK\$' million	MYR' million	Date up to 30 June 2019 MYR' million	MYR' million	%	
Capital investment and costs in relation to the new production plant and the expansion of the existing production plant	84.8	45.8	32.9	12.9	28.2	Note 1
Business expansion into the Greater China region	38.1	20.6	14.3	6.3	30.6	Note 2
Establishment of an office in California, U.S.	28.2	15.3	2.6	12.7	83.0	Note 3
Marketing, branding and promotional activities	3.1	1.7	1.1	0.6	35.3	Note 4
Working capital	17.1	9.2	9.2	–	–	
Total	171.3	92.6	60.1	32.5	35.1	

The Directors are not aware of any material change to the proposed use of proceeds as at the date of this announcement. The unutilised net proceeds and its following intended timeframe for utilisation will be applied in the manner consistent with that mentioned in the Prospectus. The intended timeframe was based on the best estimation and assumption of future market conditions and industry development made by the Group as at the date of this announcement.

Note 1: Majority of the unutilised proceeds is expected to be utilised by 2019 subject to the completion status of the expansion of the existing production plant.

Note 2: Subject to the finalisation of the Company’s potential future business collaboration or joint ventures or other strategic arrangements within 2019.

Note 3 and Note 4: Such unutilised proceeds will be utilised within the next five years starting from the Listing Date.

EMPLOYEES AND REMUNERATION

The Group recognises its employees as one of the Group's most important assets. The Group strongly believes in hiring the right talent, nurturing and retaining these talented employees with competitive remuneration packages.

As at 30 June 2019, the total number of full time employees of the Group increased to 517 (31 December 2018: 503).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no significant subsequent event undertaken by the Company or by the Group after 30 June 2019 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2019. Other than disclosed below, the Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The CG code provision A.2.1 requires that the roles of chairman and chief executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who manage the business. As detailed in the Annual Report, the Company currently has not appointed any chief executive. The day-to-day management of business has been properly delegated to different individuals by the Board. For further details, please refer to the section headed “Chairman and Chief Executive” in the Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of the Directors (the “Securities Dealing Code”). Specific enquiries have been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code during the six months ended 30 June 2019 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 19 December 2017 in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of two independent non-executive Directors namely Mr. Sim Seng Loong @ Tai Seng (being the chairman of the Audit Committee who has a professional qualification in accountancy) and Ms. Chan May May and one non-executive Director namely Mr. Leng Kean Yong. The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019, including the applicable accounting policies and accounting standards adopted by the Group, and the applicable Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.pentamaster-international-ltd.com) respectively. The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

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

Malaysia, 16 August 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.