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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 2023**

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 2023 ("1Q2023"), together with the comparative figures for the three months ended 31 March 2022 ("1Q2022") (*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	2023 (Unaudited) MYR'000	2022 (Unaudited) MYR'000
Revenue	165,303	145,990
Gross profit	47,422	44,465
Profit for the period	34,323	33,174
Earnings per share (sen)		
Basic	1.44	1.39
Diluted	1.44	1.39

- Revenue of the Group was MYR165.3 million, representing an increase of 13.2% over the corresponding period last year.
- Profit for the period stood at MYR34.3 million, representing an increase of 3.5% over the corresponding period last year.
- Cash and cash equivalents of MYR302.4 million as at 31 March 2023 against MYR328.6 million as at 31 December 2022.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2023 (Unaudited) MYR'000	31/3/2022 (Unaudited) MYR'000	31/3/2023 (Unaudited) MYR'000	31/3/2022 (Unaudited) MYR'000
Revenue	165,303	145,990	165,303	145,990
Cost of sales	(117,881)	(101,525)	(117,881)	(101,525)
Gross profit	47,422	44,465	47,422	44,465
Other income	8,010	3,842	8,010	3,842
Distribution costs	(2,111)	(3,283)	(2,111)	(3,283)
Administrative expenses	(19,357)	(10,577)	(19,357)	(10,577)
Other operating expenses	(63)	(94)	(63)	(94)
Operating profit	33,901	34,353	33,901	34,353
Finance costs	-	(21)	-	(21)
Share of results of associates	1,051	(214)	1,051	(214)
Profit before taxation	34,952	34,118	34,952	34,118
Taxation	(629)	(944)	(629)	(944)
Profit for the period attributable to owners of the Company	34,323	33,174	34,323	33,174
Other comprehensive income, including reclassification adjustments				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Exchange gain/(loss) on translation of financial statements of foreign operations	12	(1)	12	(1)
Profit and total comprehensive income for the period attributable to owners of the Company	34,335	33,173	34,335	33,173
Earnings per share attributable to owners of the Company (sen)				
Basic/Diluted	1.44	1.39	1.44	1.39

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2023 should be read in conjunction with the audited financial statements for the year ended 31 December 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	As at 31/3/2023 (Unaudited) MYR'000	As at 31/12/2022 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	150,802	134,645
Leasehold land	35,284	35,320
Goodwill	4,495	4,495
Intangible assets	36,559	35,653
Interests in associates	21,121	20,070
	<u>248,261</u>	<u>230,183</u>
Current assets		
Inventories	188,907	170,934
Trade receivables	234,547	237,926
Other receivables, deposits and prepayments	41,723	30,511
Amount due from ultimate holding company	15	6
Derivative financial assets	741	489
Other investments	159	219
Tax recoverable	2,294	2,765
Cash and cash equivalents	302,430	328,628
	<u>770,816</u>	<u>771,478</u>
Total assets	<u>1,019,077</u>	<u>1,001,661</u>

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

AS AT 31 MARCH 2023

	As at 31/3/2023 (Unaudited) MYR'000	As at 31/12/2022 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	12,340	12,340
Reserves	760,222	724,373
Total equity	772,562	736,713
LIABILITIES		
Current liabilities		
Trade payables	121,802	121,528
Other payables, accruals and provisions	25,193	31,139
Contract liabilities	93,672	100,581
Amount due to fellow subsidiaries	5	179
Derivative financial liabilities	1,355	6,847
Provision for taxation	860	912
	242,887	261,186
Non-current liabilities		
Deferred tax liabilities	3,628	3,762
	3,628	3,762
Total liabilities	246,515	264,948
Total equity and liabilities	1,019,077	1,001,661

The unaudited condensed consolidated statement of financial position as at 31 March 2023 should be read in conjunction with the audited financial statements for the year ended 31 December 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	Share capital MYR'000	Share premium MYR'000	Shares held for share award scheme MYR'000	Share award reserve MYR'000	Capital reserve MYR'000	Translation reserve MYR'000	Retained profits MYR'000	Proposed final dividend MYR'000	Total MYR'000
As at 1 January 2023 (Audited)	12,340	80,650	(11,478)	3,706	44,477	(80)	579,955	27,143	736,713
Profit for the period	-	-	-	-	-	-	34,323	-	34,323
Other comprehensive income	-	-	-	-	-	12	-	-	12
Total comprehensive income for the period	-	-	-	-	-	12	34,323	-	34,335
<i>Transactions with owners:</i>									
Equity-settled share award scheme expenses	-	-	-	1,514	-	-	-	-	1,514
Vesting of shares of share award scheme	-	-	2,411	(2,490)	-	-	79	-	-
	-	-	2,411	(976)	-	-	79	-	1,514
As at 31 March 2023 (Unaudited)	12,340	80,650	(9,067)	2,730	44,477	(68)	614,357	27,143	772,562
As at 1 January 2022 (Audited)	12,340	80,650	(4,269)	2,266	44,477	56	475,457	25,766	636,743
Profit for the period	-	-	-	-	-	-	33,174	-	33,174
Other comprehensive income	-	-	-	-	-	(1)	-	-	(1)
Total comprehensive income for the period	-	-	-	-	-	(1)	33,174	-	33,173
<i>Transactions with owners:</i>									
Purchase of shares for share award scheme	-	-	(10,741)	-	-	-	-	-	(10,741)
Equity-settled share award scheme expenses	-	-	-	2,606	-	-	-	-	2,606
Vesting of shares of share award scheme	-	-	3,378	(3,178)	-	-	(200)	-	-
	-	-	(7,363)	(572)	-	-	(200)	-	(8,135)
As at 31 March 2022 (Unaudited)	12,340	80,650	(11,632)	1,694	44,477	55	508,431	25,766	661,781

The unaudited condensed consolidated statement of changes in equity for the three months ended 31 March 2023 should be read in conjunction with the audited financial statements for the year ended 31 December 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	3 Months Ended 31/3/2023 (Unaudited) MYR'000	3 Months ended 31/3/2022 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	34,952	34,118
Adjustments for:		
Amortisation of intangible assets	770	795
Amortisation of leasehold land	36	36
Depreciation of property, plant and equipment	2,193	1,117
Gain on disposal of property, plant and equipment	-	(46)
Gain from changes in fair value of foreign currency forward contracts	(5,744)	(436)
Gain on disposal of other investments	(17)	(4)
(Gain)/Loss from changes in fair value of other investments	(1)	13
Interest expenses	-	21
Bank interest income	(2,094)	(1,154)
Inventory written down – addition	247	72
Inventory written down – reversal	(11)	(56)
Expected credit loss (“ECL”) allowance on trade receivables	199	-
Reversal of ECL allowance on trade receivables	(720)	-
Share of results of associates	(1,051)	214
Equity-settled share award scheme expenses	1,514	2,606
Unrealised loss/(gain) on foreign exchange	163	(1,116)
Operating profit before working capital changes	30,436	36,180
Increase in inventories	(18,209)	(13,942)
Increase in trade and other receivables	(6,628)	(38,094)
(Decrease)/Increase in trade and other payables	(6,602)	19,276
(Decrease)/Increase in contract liabilities	(6,909)	712
Net change in ultimate holding company balance	-	(28)
Net change in fellow subsidiaries’ balances	(174)	6
Cash (absorbed by)/generated from operations	(8,086)	4,110
Interests paid	-	(21)
Tax paid	(352)	(1,193)
<i>Net cash (used in)/from operating activities</i>	(8,438)	2,896

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

FOR THE THREE MONTHS ENDED 31 MARCH 2023

	3 Months Ended 31/3/2023 (Unaudited) MYR'000	3 Months ended 31/3/2022 (Unaudited) MYR'000
Cash flows from investing activities		
Bank interest received	2,094	1,154
Purchase of intangible assets	(1,676)	(1,282)
Purchase of property, plant and equipment	(18,347)	(8,321)
Proceeds from disposal of other investments	78	173
Acquisition of other investments	-	(127)
<i>Net cash used in investing activities</i>	<u>(17,851)</u>	<u>(8,403)</u>
Cash flows from financing activities		
Repayment to ultimate holding company	(9)	-
Repayment of bank borrowing	-	(105)
Purchase of shares for share award scheme	-	(10,741)
<i>Net cash used in financing activities</i>	<u>(9)</u>	<u>(10,846)</u>
Net decrease in cash and cash equivalents	(26,298)	(16,353)
Cash and cash equivalents at the beginning of the period	328,628	349,959
Effect of foreign exchange rate changes	100	279
Cash and cash equivalents at the end of the period	<u>302,430</u>	<u>333,885</u>

MANAGEMENT DISCUSSION AND ANALYSIS

As year 2023 unfolds, the challenges on the geopolitical front and the volatility in global supply chain continue. The Group, while contending with multiple headwinds, managed to sustain and closed its current quarter with a resilient quarterly revenue at MYR165.3 million from its respective reportable segments as follows:

- (i) Automated test equipment (“ATE”): Designing, development and manufacturing of standard and non-standard automated equipment.
- (ii) Factory automation solutions (“FAS”): Designing, development and installation of integrated factory automation solutions.

The performance of the respective operating segments, which includes elements of the inter-segment transactions, for the three months ended 31 March 2023 as compared to the previous corresponding period is outlined as below:

Unaudited results for the three months ended 31 March 2023

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	111,212	54,091			165,303
Inter-segment revenue	195	4,212	(4,407)	(i)	-
Total revenue	<u>111,407</u>	<u>58,303</u>			<u>165,303</u>
Results					
Segment results	25,787	8,736	(2,716)		31,807
Interest income	1,988	105	1		2,094
Share of results of associates	-	-	1,051		1,051
Profit before taxation	27,775	8,841			34,952
Taxation	(753)	(10)	134		(629)
Profit for the period	<u>27,022</u>	<u>8,831</u>			<u>34,323</u>

Unaudited results for the three months ended 31 March 2022

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	114,390	31,600			145,990
Inter-segment revenue	167	310	(477)	(i)	-
Total revenue	<u>114,557</u>	<u>31,910</u>			<u>145,990</u>
Results					
Segment results	31,479	3,526	(1,806)		33,199
Interest income	1,095	59			1,154
Interest expenses	(21)	-			(21)
Share of results of associates	-	-	(214)		(214)
Profit before taxation	<u>32,553</u>	<u>3,585</u>			<u>34,118</u>
Taxation	<u>(1,075)</u>	<u>(3)</u>	134		<u>(944)</u>
Profit for the period	<u><u>31,478</u></u>	<u><u>3,582</u></u>			<u><u>33,174</u></u>

Note to segment information:

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

Overall, the Group's revenue increased by approximately 13.2% to MYR165.3 million in 1Q2023 as compared to MYR146.0 million recorded in 1Q2022. The Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 67.3% and 32.7% respectively of the Group's total revenue in the current quarter.

ATE segment

Revenue from this segment declined slightly by approximately MYR3.2 million from MYR114.6 million in the previous corresponding quarter to MYR111.4 million in 1Q2023. The slight contraction in revenue was mainly due to the timing of project delivery which did not take place as scheduled in the current period. Within the ATE segment, the Group's automotive segment continued to have the highest proportion with its revenue contribution rate of 79.1% in 1Q2023 as compared to 45.2% in 1Q2022, which represented a growth of 71.8%. With the structural electrification trend worldwide and the various automotive-related measures in place as part of the decarbonisation initiatives in boosting the sales of electric vehicle, such strength in the automotive segment complements the Group's full range of test and assembly solutions catering for a wide array of automotive component manufacturers globally, ranging from front-end to back-end.

The semiconductor industry contributed 13.8% towards the ATE segment during the period, a moderate decline from 16.1% in 1Q2022. Amid the macroeconomic headwinds from the global semiconductor downturn and geopolitical factors, demand for the Group's test handling equipment from this industry segment remains cyclical in nature. Meanwhile, revenue contribution from the electro-optical industry continued to indicate signs of contraction from its revenue contribution of 29.5% in 1Q2022 to 6.6% in 1Q2023. The low contribution rate from this industry segment was mainly due to the ongoing sluggishness in the global smartphone market and demand for the Group's test solutions were mainly centred on tester upgrades and its ancillary parts in 1Q2023.

Overall, the ATE segment will continue to contribute the larger portion of the Group's revenue albeit at a lower quantum of dominance which is in line with the Group's ongoing effort in driving segmental diversification. The automotive segment remains the bright spot in spearheading the overall growth momentum of the ATE segment and against this backdrop, the Group is well positioned to capture the ongoing opportunity owing to its wide array of highly customised test solutions for this segment.

FAS segment

After registering growth for the past three quarters consecutively in 2022, revenue from the FAS segment in 1Q2023 continued to grow at an astounding rate of 82.7% to MYR58.3 million as compared to MYR31.9 million recorded in the previous corresponding period. Notably, the FAS segment gained its revenue momentum from the medical devices segment with its leading dominance of 35.4% as compared against its revenue contribution of 3.3% in 1Q2022, chalking an exponential growth from a low base within the segment. This was followed by other business segments such as the consumer and industrial products segment and electro-optical segment with its respective revenue contribution of 29.5% and 22.0% within the FAS business unit.

Generally across the industry segments, the demand for the Group's proprietary i-ARMS (intelligent Automated Robotic Manufacturing system) has positively contributed towards the FAS segment driven mainly by the massive adoption of automation in the current post-pandemic environment in achieving efficiency and productivity. With the opportunity presented from the emergence of digital technologies, the FAS segment will continue to grow based on the current order book momentum.

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

For the three months ended 31 March	2023 (Unaudited) MYR'000	%	2022 (Unaudited) MYR'000	%
Automotive	90,084	54.5	52,433	35.9
Semiconductor	20,319	12.3	18,351	12.6
Electro-Optical	19,197	11.6	44,228	30.3
Medical devices	19,135	11.6	11,089	7.6
Consumer and industrial products	16,568	10.0	19,889	13.6
	<u>165,303</u>	<u>100.0</u>	<u>145,990</u>	<u>100.0</u>

Gross margin

The gross profit margin of the Group stood at approximately 28.7% in 1Q2023 as opposed to 30.5% recorded in 1Q2022. The contraction in the gross profit margin was mainly due to a major salary adjustment made across the category of direct labour and indirect labour cost. In addition to the salary adjustment, additional bonus payment was made in 1Q2023 as part of the Group's initiatives in talent pool retention. As the Group continues to embark on its performance milestones achievement, it believes in establishing a stable human capital workforce to progress in the current environment, resulting in the necessary steps and approaches to be undertaken.

Other income

Other income of the Group mainly comprised of the movement arising from foreign exchange and interest income. In 1Q2023, the Group's other income increased from MYR3.8 million in 1Q2022 to MYR8.0 million. This was attributable to an increase in interest income by MYR0.9 million as well as a gain from changes in fair value of foreign currency forward contracts ("derivative gain") of approximately MYR5.7 million during the period. Such derivative gain was offset by a loss on foreign exchange of approximately MYR7.3 million as recorded under the Group's administrative expenses. Effectively, this has resulted in a net loss on foreign exchange of approximately MYR1.6 million during the period.

Administrative expenses

The Group's administrative expenses increased by MYR8.8 million from MYR10.6 million in 1Q2022 to MYR19.4 million during the period. This was mainly due to the following factors:

- (i) loss on foreign exchange of MYR7.3 million during the period. Such loss on foreign exchange was to be interpreted in tandem with the derivative gain of MYR5.7 million recorded under other income. However, there was no loss on foreign exchange incurred in 1Q2022; and
- (ii) incurrence of the research and development cost for Pentamaster MediQ Sdn. Bhd., a wholly owned subsidiary of the Company, in respect of its single-use medical devices amounting to MYR1.6 million.

Profit for the Period

The Group closed its 1Q2023 with a net profit of MYR34.3 million (1Q2022: MYR33.2 million), representing increase of approximately 3.5% as compared to 1Q2022. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the 1Q2023 stood at MYR38.0 million as compared to MYR36.1 million in 1Q2022, representing an increase of 5.2%. Basic earnings per share increased from 1.39 sen in 1Q2022 to 1.44 sen in 1Q2023.

Prospect

The Group entered 2023 with a sizeable order book on hand and it expects majority of its order to be fulfilled and delivered during the year. Within the order book momentum, the Group continues to see strength in the automotive and medical devices segment, benefitting mainly from the intensifying trends in automotive electrification and the prevalent application of automation in medical manufacturing activities. On the other hand, demand from the electro-optical segment continues to be modest from the ongoing subdued volumes for smartphones given the lack of new smart sensors' development and the impact on consumer spending for such hardware upgrades. Both the semiconductor and consumer and industrial products segment sees a trend of modest growth and the Group expects the revenue proportion from these segments to remain consistent as the previous year.

While the overall economic outlook will remain uncertain with the ongoing battle with inflation and growing commodity pressures, the Group remains committed in upholding its three pillars of growth strategies which includes product diversification, segmental diversification and geographical diversification. With the recent establishment of a wholly foreign-owned limited liability company in Germany as part of the Group's expansion initiatives to further broaden its geographical footprint outside of Malaysia, the Group will continue to build its internal capabilities and expand its revenue stream in an ever evolving situation. While 2023 is set to be just as challenging as 2022, heightened vigilance and resilience are required in the coming quarters as the Group continues to seize business opportunities from the structural megatrends and emerging developments in the technological space, and the Group will remain steadfast and focused on its core competencies for a sustainable growth in the near future.

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.com.my) respectively.

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

Malaysia, 11 May 2023

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.