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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 2022**

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 2022 ("1Q2022"), together with the comparative figures for the three months ended 31 March 2021 ("1Q2021") (*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	2022 (Unaudited) MYR'000	2021 (Unaudited) MYR'000
Revenue	145,990	115,059
Gross profit	44,465	34,835
Profit for the period	33,174	26,509
Earnings per share (sen)		
Basic	1.39	1.11*
Diluted	1.39	1.11*

**Restated for the bonus issue effected in 2021*

- Revenue of the Group was MYR146.0 million, representing an increase of 26.9% over the corresponding period last year.
- Profit for the period stood at MYR33.2 million, representing an increase of 25.1% over the corresponding period last year.
- Cash and bank deposits of MYR333.9 million as at 31 March 2022 against MYR350.0 million as at 31 December 2021.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2022 (Unaudited) MYR'000	31/3/2021 (Unaudited) MYR'000	31/3/2022 (Unaudited) MYR'000	31/3/2021 (Unaudited) MYR'000
Revenue	145,990	115,059	145,990	115,059
Cost of goods sold	(101,525)	(80,224)	(101,525)	(80,224)
Gross profit	44,465	34,835	44,465	34,835
Other income	3,842	10,831	3,842	10,831
Administrative expenses	(10,577)	(15,141)	(10,577)	(15,141)
Distribution costs	(3,283)	(3,105)	(3,283)	(3,105)
Other operating expenses	(94)	(42)	(94)	(42)
Operating profit	34,353	27,378	34,353	27,378
Finance costs	(21)	(24)	(21)	(24)
Share of results of associates	(214)	(125)	(214)	(125)
Profit before taxation	34,118	27,229	34,118	27,229
Taxation	(944)	(720)	(944)	(720)
Profit for the period	33,174	26,509	33,174	26,509
Other comprehensive income, including reclassification adjustments				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Exchange gain on translation of financial statements of foreign operations	(1)	-	(1)	-
Profit and total comprehensive income for the period attributable to owners of the Company	33,173	26,509	33,173	26,509
Earnings per share attributable to owners of the Company (sen):-				
- Basic	1.39	1.11*	1.39	1.11*
- Diluted	1.39	1.11*	1.39	1.11*

*Restated for the bonus issue effected in 2021

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2022 should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	As at 31/3/2022 (Unaudited) MYR'000	As at 31/12/2021 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	106,860	99,745
Leasehold land	35,429	35,465
Goodwill	4,495	4,495
Intangible assets	35,206	34,629
Interest in associates	21,492	21,706
Deposits paid	28,229	28,225
Deferred tax assets	221	221
	<u>231,932</u>	<u>224,486</u>
Current assets		
Inventories	85,931	72,006
Trade receivables	193,760	164,043
Other receivables, deposits and prepayments	21,799	12,517
Amount due from ultimate holding company	49	20
Amount due from a fellow subsidiary	11	17
Derivative financial assets	1,682	1,246
Other investments	318	374
Tax recoverable	368	412
Cash and cash equivalents	333,885	349,959
	<u>637,803</u>	<u>600,594</u>
Total assets	<u>869,735</u>	<u>825,080</u>

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

AS AT 31 MARCH 2022

	As at 31/3/2022 (Unaudited) MYR'000	As at 31/12/2021 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	12,340	12,340
Reserves	<u>649,441</u>	<u>624,403</u>
Total equity	<u>661,781</u>	<u>636,743</u>
LIABILITIES		
Current liabilities		
Trade payables	96,535	77,553
Other payables, accruals and provisions	39,147	38,824
Contract liabilities	64,864	64,152
Bank borrowing	2,460	2,565
Provision for taxation	<u>783</u>	<u>944</u>
	<u>203,789</u>	<u>184,038</u>
Non-current liabilities		
Deferred tax liabilities	<u>4,165</u>	<u>4,299</u>
	<u>4,165</u>	<u>4,299</u>
Total liabilities	<u>207,954</u>	<u>188,337</u>
Total equity and liabilities	<u>869,735</u>	<u>825,080</u>

The unaudited condensed consolidated statement of financial position as at 31 March 2022 should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Equity attributable to owners of the Company								
	Share capital	Share premium	Shares held for share award scheme	Share award reserve	Capital reserve	Translation reserve	Retained profits	Proposed final dividend	Total equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
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)	-	-
As at 31 March 2022 (Unaudited)	12,340	80,650	(11,632)	1,694	44,477	55	508,431	25,766	661,781
	Share capital	Share premium	Shares held for share award scheme	Share award reserve	Capital reserve	Translation reserve	Retained profits	Proposed final dividend	Total equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
As at 1 January 2021 (Audited)	8,054	84,936	(5,849)	-	44,477	-	385,255	16,672	533,545
Profit and total comprehensive income for the period	-	-	-	-	-	-	26,509	-	26,509
<i>Transactions with owners:</i>									
Purchase of shares for share award scheme	-	-	(677)	-	-	-	-	-	(677)
Equity-settled share award scheme expenses	-	-	-	3,331	-	-	-	-	3,331
Vesting of shares of share award scheme	-	-	3,781	(3,331)	-	-	(450)	-	-
As at 31 March 2021 (Unaudited)	8,054	84,936	(2,745)	-	44,477	-	411,314	16,672	562,708

The unaudited condensed consolidated statement of changes in equity for the three months ended 31 March 2022 should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH 2022

	3 Months ended 31/3/2022 (Unaudited) MYR'000	3 Months ended 31/3/2021 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	34,118	27,229
Adjustments for :		
Amortisation of intangible assets	795	862
Amortisation of leasehold land	36	145
Deferred income released	-	(1,707)
Depreciation of property, plant and equipment	1,117	897
(Gain)/ loss on disposal of property, plant and equipment	(46)	1,667
Interest expenses	21	24
Interest income	(1,154)	(986)
(Gain) / loss from changes in fair value of foreign currency forward contracts	(436)	5,036
Gain on disposal of other investments	(4)	(39)
Loss from changes in fair value of other investments	13	9
Inventory written downs –addition	72	99
Inventory written downs –reversal	(56)	(100)
Share of results of associates	214	125
Equity-settled share award scheme expense	2,606	3,331
Unrealised gain on foreign exchange	(1,116)	(5,950)
Operating profit before working capital changes	36,180	30,642
Increase in inventories	(13,942)	(7,803)
Increase in trade and other receivables	(38,094)	(14,281)
Increase in trade and other payables	19,276	1,324
Increase / (decrease) in contract liabilities	712	(565)
Net change in ultimate holding company balance	(28)	(29)
Net change in a fellow subsidiary's balance	6	(34)
Cash generated from operations	4,110	9,254
Interests paid	(21)	(24)
Tax paid	(1,193)	(587)
Net cash generated from operating activities	2,896	8,643

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

FOR THE THREE MONTHS ENDED 31 MARCH 2022

	3 Months ended 31/3/2022 (Unaudited) MYR'000	3 Months ended 31/3/2021 (Unaudited) MYR'000
Cash flows from investing activities		
Bank interest received	1,154	986
Purchase of property, plant and equipment	(8,321)	(988)
Purchase of intangible assets	(1,282)	(891)
Acquisition of other investments	(127)	(355)
Proceeds from disposal of other investments	173	179
Acquisition of redeemable convertible preference shares of an associate	-	(15,000)
Proceeds from disposal of shares in associate	-	66
Net cash used in investing activities	<u>(8,403)</u>	<u>(16,003)</u>
Cash flows from financing activities		
Purchase of share for share award scheme	(10,741)	(677)
Repayment of term loan	(105)	(102)
Net cash used in financing activities	<u>(10,846)</u>	<u>(779)</u>
Net decrease in cash and cash equivalents	(16,353)	(8,139)
Cash and cash equivalents at the beginning of the period	349,959	300,280
Effect of foreign exchange rate changes	279	847
Cash and cash equivalents at the end of the period	<u>333,885</u>	<u>292,988</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Amid the continued supply chain constraints that have impacted material lead time and the geopolitical tension of the Russian-Ukraine war witnessed in 1Q2022, the Group managed to close its current quarter with another record quarterly revenue at MYR146.0 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 automated manufacturing solutions.

The performance of the respective operating segments, which includes elements of the inter-segment transactions, for the three months ended 31 March 2022 as compared to the previous corresponding period is outlined as below:

Unaudited results for the three months ended 31 March 2022

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	<i>Note</i>	Total MYR'000
Revenue					
External customers	114,390	31,600			145,990
Inter-segment revenue	16,143	2,136	(18,279)	<i>(i)</i>	-
Total revenue	<u>130,533</u>	<u>33,736</u>			<u>145,990</u>
Results					
Segment results	31,479	3,526	(1,806)		33,199
Interest income	1,095	59			1,154
Interest expense	(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	(1,075)	(3)	134		(944)
Profit for the period	<u><u>31,478</u></u>	<u><u>3,582</u></u>			<u><u>33,174</u></u>

Unaudited results for the three months ended 31 March 2021

	Automated test equipment MYR'000	Factory Automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	80,353	34,706			115,059
Inter-segment revenue	364	768	(1,132)	(i)	-
Total revenue	<u>80,717</u>	<u>35,474</u>			<u>115,059</u>
Results					
Segment results	24,782	2,185	(575)		26,392
Interest income	945	34	7		986
Interest expense	(24)	-			(24)
Share of results of associates	-	-	(125)		(125)
Profit before taxation	<u>25,703</u>	<u>2,219</u>			<u>27,229</u>
Taxation	(849)	(5)	134		(720)
Profit for the period	<u>24,854</u>	<u>2,214</u>			<u>26,509</u>

Note to segment information:

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

Overall, the Group's revenue increased by approximately 26.9% to MYR146.0 million in 1Q2022 as compared to MYR115.1 million recorded in 1Q2021. The Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 78.4% and 21.6% respectively of the Group's total revenue in the current quarter.

ATE segment

This segment recorded an increase in revenue by approximately MYR49.8 million to MYR130.5 million in 1Q2022 as compared to the previous corresponding period. The significant growth in this segment's revenue by approximately 61.7% was largely driven by the demand from the automotive segment given the global momentum in structurally shifting towards electric vehicles ("EV"). Such resilience and growth in the EV market have fuelled the demand for the Group's automotive test solutions entailing a full range of assembly and test technologies from front-end to back-end solutions. With vehicle manufacturers' increasingly ambitious electrification plans coupled with supportive regulatory frameworks, the automotive industry will remain robust and contribute positively to the Group's revenue in the short to medium term.

Revenue contribution from the electro-optical industry came in as the second highest within the ATE segment with its contribution rate of 29.5% while the semiconductor industry contributed approximately 16.1% to the ATE segment of the Group. Contribution from the Group's electro-optical segment has downplayed in the overall revenue contribution of the Group given the lack of smart sensors development. However, the Group is witnessing a short-term shift towards optical imaging system and solutions for this segment. Meanwhile, the semiconductor segment witnessed a lead through in demand as vehicle manufacturers add more electric components and semiconductor chips in its next-generation vehicles. Additional "push in" demand for semiconductor equipment due to supply chain constraint has also contributed to the growth of revenue contribution of the Group's semiconductor segment.

As digitalisation and technology convergence continue in the global marketplace, the Group anticipates continuous demand for its wide range of test solutions that caters across its different segments, especially towards high performance integrated chips and power modules coupled with smart sensors and other advanced semiconductor application and contents.

FAS segment

Revenue from the FAS segment in 1Q2022 decreased slightly by approximately 4.9% to MYR33.7 million as compared to MYR35.5 million recorded in the previous corresponding period. The slight contraction in revenue was mainly due to the timing of revenue recognition from projects in the FAS segment which inherently requires a longer project lead time. During the quarter, the consumer and industrial product segment witnessed a strong contribution rate of approximately 59.3% towards the FAS' revenue, whilst the electro-optical segment and medical devices segment contributed 33.2% and 3.3% respectively. Overall, across the segments, the demand of the Group's proprietary i-ARMS (intelligent Automated Robotic Manufacturing system) has positively contributed towards the FAS.

Generally, the Group is positive with its FAS segment based on the current order book momentum which is driven by the massive shift towards factory automation in a post-pandemic environment coupled with the profound shortage of skilled workers and the rise in labour cost from the mounting inflationary pressure.

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

For the three months ended 31 March	2022 (Unaudited)		2021 (Unaudited)	
	MYR'000	%	MYR'000	%
Automotive	52,433	35.9	11,348	9.9
Electro-Optical	44,228	30.3	65,243	56.6
Consumer and industrial products	19,889	13.6	16,375	14.2
Semiconductor	18,351	12.6	19,161	16.7
Medical devices	11,089	7.6	2,932	2.6
	<u>145,990</u>	<u>100.0</u>	<u>115,059</u>	<u>100.0</u>

Gross margin

The gross profit margin of the Group stood at approximately 30.5% in 1Q2022 as opposed to the gross profit margin of 30.3% recorded in 1Q2021. Overall, the gross profit margin remained relatively stable in spite of the continuous challenge over the supply chain disruption and bottlenecks which resulted in cost pressures from key component shortages and higher logistics cost. Despite having to confront such constrained global supply chain environment, the Group remains vigilant and reactive in its supply chain planning to mitigate any severe operational and financial consequences.

Other income

Other income of the Group mainly comprised of the movement arising from foreign exchange and interest income. In 1Q2022, the Group's other income decreased from MYR10.8 million in 1Q2021 to MYR3.8 million. During the period, the Group recorded a gain on foreign exchange of approximately MYR1.8 million, arising mainly from the appreciation of the U.S. Dollar against MYR towards the end of 1Q2022 as well as a gain from changes in fair value of foreign currency forward contracts ("derivative gain") of approximately MYR0.4 million. This resulted in the Group recognising a total gain of approximately MYR2.2 million on the foreign exchange during the current quarter under other income.

As compared against 1Q2021, Group recorded a gain on foreign exchange of approximately MYR7.9 million under other income. However, such gain on foreign exchange was offset by a loss from change in fair value of foreign currency forward contracts ("derivative loss") of approximately MYR5.0 million recorded under the administrative expenses in 1Q2021.

Administrative expenses

The Group's administrative expenses decreased by MYR4.6 million from MYR15.1 million in 1Q2021 to MYR10.6 million during the period. This was mainly due to the following factors:

- (i) Net derivative gain was achieved during the period which was recorded under other income as compared to a net derivative loss of MYR5.0 million in 1Q2021.

The above decrease in cost was partially offset by:

- (i) higher administrative staff cost by approximately MYR1.3 million during the period due to the higher amount of provision for employee benefit expense for the staff performance incentive and share award scheme.

Profit for the period

The Group closed its 1Q2022 with a net profit of MYR33.2 million (1Q2021: MYR26.5 million), representing an increase of approximately 25.1% as compared to 1Q2021. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the 1Q2022 stood at MYR36.1 million as compared to MYR29.2 million in 1Q2021, representing an increase of 23.8%. Basic earnings per share increased from 1.11 sen in 1Q2021 to 1.39 sen in 1Q2022.

Prospect

The Group ended this quarter with a strong order on hand fuelled by a robust market sentiment that revolves around EV and other industry megatrends such as Internet of Things, Industry 4.0 and the accelerating digital transformation in how global companies operate post COVID-19. Given the Group's continuous effort in embracing a structural shift towards higher growth segments and putting in place strategies for the digital transformation, the order contribution specifically from the automotive segment saw an extensive amount of growth on the back of a wider customer base established within the segment. While the supply chain environment remains disruptive and challenging, the Group continues to work closely with both its customers and suppliers for better capacity planning and visibility.

The current immediate aim for the Group is to be able to deliver its order as scheduled barring any significant adverse impact from the supply chain bottlenecks, logistics constraints and geopolitical knots. Overall, the Group is optimistic on achieving another record year of business growth while placing its continuous focus on developing a broader product portfolio across key markets and segments, while upskilling its workforce. With that, the Group is establishing more business units within the organisation to provide more opportunity for career development to the next level as the Group expands its addressable markets globally.

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, 12 May 2022

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.