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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 THIRD QUARTERLY RESULTS
ANNOUNCEMENT FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2023**

The board (the “Board”) of directors (the “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 2023 (the “Period”), together with the comparative figures for the nine months ended 30 September 2022 (the “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	2023 (Unaudited) MYR'000	2022 (Unaudited) MYR'000
Revenue	522,836	452,928
Gross profit	155,676	140,334
Profit for the period	108,375	96,727
Earnings per share (sen)		
Basic	4.54	4.06
Diluted	4.54	4.06

- Revenue of the Group was MYR522.8 million, representing an increase of 15.4% over the Previous Corresponding Period.
- Profit for the period stood at MYR108.4 million, representing an increase of 12.0% over the Previous Corresponding Period.
- Cash and cash equivalents of MYR430.7 million as at 30 September 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2023

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/9/2023 (Unaudited) MYR'000	30/9/2022 (Unaudited) MYR'000	30/9/2023 (Unaudited) MYR'000	30/9/2022 (Unaudited) MYR'000
Revenue	180,708	155,595	522,836	452,928
Cost of sales	(125,553)	(106,813)	(367,160)	(312,594)
Gross profit	55,155	48,782	155,676	140,334
Other income	5,596	5,197	9,208	15,305
Distribution costs	(2,868)	(2,516)	(7,222)	(7,784)
Administrative expenses	(19,876)	(19,688)	(46,707)	(49,468)
Other operating expenses	(19)	(60)	(120)	(223)
Operating profit	37,988	31,715	110,835	98,164
Finance costs	-	(19)	-	(60)
Share of results of associates	(644)	(405)	83	(865)
Profit before taxation	37,344	31,291	110,918	97,239
Taxation	(840)	1,150	(2,543)	(512)
Profit for the period attributable to owners of the Company	36,504	32,441	108,375	96,727
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	4	(29)	(19)	(55)
Profit and total comprehensive income for the period attributable to owners of the Company	36,508	32,412	108,356	96,672
Earnings per share attributable to owners of the Company (sen)				
Basic	1.53	1.36	4.54	4.06
Diluted	1.53	1.36	4.54	4.06

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 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 30 SEPTEMBER 2023

	As at 30/9/2023 (Unaudited) MYR'000	As at 31/12/2022 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	211,976	134,645
Leasehold land	35,054	35,320
Goodwill	4,495	4,495
Intangible assets	37,724	35,653
Interests in associates	20,154	20,070
	309,403	230,183
Current assets		
Inventories	181,774	170,934
Trade receivables	206,469	237,926
Other receivables, deposits and prepayments	33,017	30,511
Amount due from ultimate holding company	5	6
Amount due from fellow subsidiaries	1,380	-
Derivative financial assets	149	489
Other investments	160	219
Tax recoverable	1,401	2,765
Cash and cash equivalents	430,724	328,628
	855,079	771,478
Total assets	1,164,482	1,001,661

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

AS AT 30 SEPTEMBER 2023

	As at 30/9/2023 (Unaudited) MYR'000	As at 31/12/2022 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	12,340	12,340
Reserves	805,736	724,373
Total equity	818,076	736,713
LIABILITIES		
Current liabilities		
Trade payables	141,091	121,528
Other payables, accruals and provisions	27,748	31,139
Contract liabilities	167,445	100,581
Amount due to fellow subsidiaries	-	179
Derivative financial liabilities	4,923	6,847
Provision for taxation	1,030	912
	342,237	261,186
Non-current liabilities		
Deferred income	810	-
Deferred tax liabilities	3,359	3,762
	4,169	3,762
Total liabilities	346,406	264,948
Total equity and liabilities	1,164,482	1,001,661

The unaudited condensed consolidated statement of financial position as at 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 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
Transactions with owners:									
Purchase of shares for share award scheme	-	-	(5,675)	-	-	-	-	-	(5,675)
Equity-settled share award scheme expenses	-	-	-	6,239	-	-	-	-	6,239
Vesting of shares of share award scheme	-	-	8,902	(8,644)	-	-	(258)	-	-
	-	-	3,227	(2,405)	-	-	(258)	-	564
Profit for the period	-	-	-	-	-	-	108,375	-	108,375
Other comprehensive income	-	-	-	-	-	(19)	-	-	(19)
Total comprehensive income for the period	-	-	-	-	-	(19)	108,375	-	108,356
2022 final dividend declared	-	-	-	-	-	-	(414)	(27,143)	(27,557)
As at 30 September 2023 (Unaudited)	12,340	80,650	(8,251)	1,301	44,477	(99)	687,658	-	818,076
As at 1 January 2022 (Audited)	12,340	80,650	(4,269)	2,266	44,477	56	475,457	25,766	636,743
Transactions with owners:									
Purchase of shares for share award scheme	-	-	(12,883)	-	-	-	-	-	(12,883)
Equity-settled share award scheme expenses	-	-	-	5,710	-	-	-	-	5,710
Vesting of shares of share award scheme	-	-	6,820	(6,282)	-	-	(538)	-	-
	-	-	(6,063)	(572)	-	-	(538)	-	(7,173)
Profit for the period	-	-	-	-	-	-	96,727	-	96,727
Other comprehensive income	-	-	-	-	-	(55)	-	-	(55)
Total comprehensive income for the period	-	-	-	-	-	(55)	96,727	-	96,672
2021 final dividend declared	-	-	-	-	-	-	(1,138)	(25,766)	(26,904)
As at 30 September 2022 (Unaudited)	12,340	80,650	(10,332)	1,694	44,477	1	570,508	-	699,338

The unaudited condensed consolidated statement of changes in equity for the nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2023

	9 Months Ended 30/9/2023 (Unaudited) MYR'000	9 Months ended 30/9/2022 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	110,918	97,239
Adjustments for:		
Amortisation of intangible assets	3,569	2,329
Amortisation of leasehold land	266	109
Depreciation of property, plant and equipment	7,846	3,583
Gain on disposal of property, plant and equipment	-	(58)
(Gain)/Loss from changes in fair value of foreign currency forward contracts	(1,584)	20,307
Gain on disposal of other investments	(17)	(14)
(Gain)/Loss from changes in fair value of other investments	(2)	13
Interest expenses	-	60
Bank interest income	(6,887)	(3,329)
Inventory written down – addition	639	180
Inventory written down – reversal	(51)	(138)
Expected credit loss (“ECL”) allowance on trade receivables	500	-
Reversal of ECL allowance on trade receivables	(1,313)	(306)
Property, plant and equipment written off	4	-
Intangible assets written off	3	-
Share of results of associates	(83)	865
Equity-settled share award scheme expenses	6,239	5,710
Unrealised gain on foreign exchange	(6,830)	(11,332)
Operating profit before working capital changes	113,217	115,218
Increase in inventories	(11,428)	(68,048)
Decrease/(Increase) in trade and other receivables	37,113	(80,108)
Increase in trade and other payables	13,649	56,721
Increase in contract liabilities	66,864	4,216
Net change in ultimate holding company balance	-	(28)
Net change in fellow subsidiaries’ balances	(1,559)	16
Cash generated from operations	217,856	27,987
Government grants received	810	-
Interests paid	-	(60)
Tax paid	(1,759)	(3,076)
Tax refunded	284	241
<i>Net cash from operating activities</i>	217,191	25,092

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

	9 Months Ended 30/9/2023 (Unaudited) MYR'000	9 Months ended 30/9/2022 (Unaudited) MYR'000
Cash flows from investing activities		
Bank interest received	6,887	3,329
Purchase of intangible assets	(5,641)	(7,473)
Purchase of property, plant and equipment	(85,186)	(18,314)
Proceeds from disposal of property, plant and equipment	-	58
Proceeds from disposal of other investments	78	298
Acquisition of other investments	-	(327)
	<hr/> (83,862) <hr/>	<hr/> (22,429) <hr/>
<i>Net cash used in investing activities</i>		
Cash flows from financing activities		
Advance from ultimate holding company	1	-
Repayment of bank borrowing	-	(317)
Dividend paid to owners of the Company	(27,557)	(26,904)
Purchase of shares for share award scheme	(5,675)	(12,883)
	<hr/> (33,231) <hr/>	<hr/> (40,104) <hr/>
<i>Net cash used in financing activities</i>		
Net increase/(decrease) in cash and cash equivalents	100,098	(37,441)
Cash and cash equivalents at the beginning of the period	328,628	349,959
Effect of foreign exchange rate changes	1,998	2,130
	<hr/> 430,724 <hr/>	<hr/> 314,648 <hr/>
Cash and cash equivalents at the end of the period		

MANAGEMENT DISCUSSION AND ANALYSIS

In the face of the various challenging macroeconomic conditions mainly marked by the ongoing geopolitical conflicts and persistent inflation, the Group was encouraged to witness yet another record quarterly revenue of MYR180.7 million during the third quarter of 2023, thereby concluding its nine months of 2023 with a total revenue of MYR522.8 million. The growth in revenue was primarily contributed by the following reportable segments as below:

- (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 segment, which includes elements of the inter-segment transactions, for the nine months ended 30 September 2023 as compared to the Previous Corresponding Period is outlined as below:

Unaudited results for the nine months ended 30 September 2023

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	358,277	164,528	31		522,836
Inter-segment revenue	468	12,315	(12,783)	(i)	-
Total revenue	<u>358,745</u>	<u>176,843</u>			<u>522,836</u>
Results					
Segment results	83,765	34,557	(14,374)		103,948
Interest income	6,255	628	4		6,887
Share of results of associates	-	-	83		83
Profit before taxation	90,020	35,185			110,918
Taxation	(2,906)	(39)	402		(2,543)
Profit for the period	<u>87,114</u>	<u>35,146</u>			<u>108,375</u>

Unaudited results for the nine months ended 30 September 2022

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	<i>Note</i>	Total MYR'000
Revenue					
External customers	326,305	126,623			452,928
Inter-segment revenue	535	2,598	(3,133)	<i>(i)</i>	-
Total revenue	<u>326,840</u>	<u>129,221</u>			<u>452,928</u>
Results					
Segment results	75,155	25,357	(5,677)		94,835
Interest income	3,106	222	1		3,329
Interest expenses	(60)	-			(60)
Share of results of associates	-	-	(865)		(865)
Profit before taxation	<u>78,201</u>	<u>25,579</u>			<u>97,239</u>
Taxation	(861)	(53)	402		(512)
Profit for the period	<u><u>77,340</u></u>	<u><u>25,526</u></u>			<u><u>96,727</u></u>

Note to segment information:

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

For the nine months ended 30 September 2023, the Group recorded a higher revenue at MYR522.8 million as compared to MYR452.9 million achieved in the Previous Corresponding Period, representing an increase of 15.4%. The Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 68.5% and 31.5% respectively of the Group's revenue during the Period.

ATE segment

The Group's ATE segment remained the key segment for the Group during the Period, with its revenue achieved at MYR358.7 million for the nine months ended 30 September 2023, representing an increase of MYR31.9 million or 9.8% growth as compared to the Previous Corresponding Period. The automotive segment continued to be the leading industry segment contributing to the ATE segment with its share of wallet of approximately 74.4% for the Period, as compared to 55.2% in the Previous Corresponding Period. Specifically, the automotive segment has shown a strong double-digit growth of 48.0% within the ATE segment on a year-on-year basis. Such performance growth solidified the Group's notable breakthrough in the automotive segment which was largely attributed to the Group's comprehensive range of automotive test and assembly solutions, covering a broad customer base across the key markets in the United States, China, Japan and Europe. On the back of the structural automotive electrification trends, the Group's automotive industry segment will continue to dominate the Group's ATE segment in the near future.

Amidst the recent semiconductor industry slowdown, revenue performance from the semiconductor industry segment remained relatively stable in its contribution towards the Group's ATE segment. During the Period, the semiconductor industry segment's share of wallet stood at 18.8%, a slight decline from 21.4% in the same period last year. Anchored by the demand for the Group's legacy semiconductor handling equipment within this industry segment, the Group expects this industry segment to remain stable in the coming quarters. On the other hand, the Group's electro-optical segment has yet to witness a recovery given the dampened consumer demand in the current high inflationary scenario and the lack of smartphone feature upgrades that would entice a strong "push" for smartphone replacement. Within the context of such sentiment, revenue contribution from the electro-optical industry segment continued to decline in its contribution to the ATE segment, recording at 6.6% during the Period as compared to 20.1% achieved in the Previous Corresponding Period.

FAS segment

After witnessing a drop in revenue in the second quarter of 2023, revenue from the FAS segment gathered its pace and momentum in the third quarter of 2023, which saw a jump of 192.0% on a quarter-on-quarter basis. It was worthy to note a record quarterly revenue achieved by the FAS segment for the Period, at MYR88.3 million, as the segment's proprietary i-ARMS (intelligent Automated Robotic Manufacturing system) continued with its wider acceptance by the customers in the current automation-driven market place. Correspondingly, with a total revenue of MYR176.8 million recorded for the nine months ended 30 September 2023, the FAS segment continued its above average growth of 36.9% vis-à-vis the Group, when compared to MYR129.2 million achieved by this segment in the Previous Corresponding Period.

The medical devices industry segment continued to dominate its contribution within the FAS segment, with its share of wallet at 59.8% as compared to 32.5% in the same period last year, pointing to a remarkable growth rate of more than 100.0% on absolute revenue terms. Other industry segments, such as consumer and industrial products and electro-optical contributed approximately 17.2% and 16.9% respectively during the Period. All-in-all, the Group expects its FAS segment to continue to grow and contribute meaningfully in the near future as automation adoption across various industries gather its pace given the current deglobalisation manufacturing structure, in achieving better productivity, security, precision and scalability.

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

	For the nine months ended 30 September			
	2023		2022	
	(Unaudited)		(Unaudited)	
	MYR'000	%	MYR'000	%
Automotive	271,682	52.0	185,392	40.9
Medical devices	98,459	18.8	51,202	11.3
Semiconductor	72,310	13.8	70,041	15.5
Electro-Optical	51,182	9.8	91,736	20.3
Consumer and industrial products	29,203	5.6	54,557	12.0
	522,836	100.0	452,928	100.0

Gross margin

The Group achieved a gross margin of 30.5% for the third quarter and 29.8% for the nine months ended 30 September 2023, as opposed to 31.4% and 31.0% recorded respectively for the third quarter and the Previous Corresponding Period in year 2022. Despite the Group having to confront the far reaching effects from the overall inflationary pressure and the ongoing industry-wide supply chain challenges of rising material cost, the Group's margin remained relatively stable and consistent across the quarters in 2023. Such ongoing operational cost pressure was largely mitigated by the Group's meaningful diversification into the automotive and medical devices segments, where these segments generally command better gross margin. As the Group continues to embark on its journey in capturing more secular business growth opportunities, the incurrence of higher project prototyping costs are necessary for the Group's product portfolio expansion and new product development in ensuring long term business sustainability.

Other income

The Group's other income mainly comprised of the movement arising from foreign exchange, interest income and miscellaneous income. During the Period, the amount was mainly contributed by the bank interest income of MYR6.9 million and miscellaneous income of MYR0.6 million as compared to MYR3.3 million and MYR0.9 million recorded respectively in the Previous Corresponding Period. Simultaneously, there were elements of foreign exchange movement in other income where the Group recorded a gain from changes in fair value of foreign currency forward contracts ("derivative gain") of approximately MYR1.6 million during the Period. Such derivative gain was offset by a loss on foreign exchange of approximately MYR6.2 million recorded under the Group's administrative expenses, resulting effectively in a net loss on foreign exchange of approximately MYR4.7 million during the Period.

Comparatively in the Previous Corresponding Period in 2022, the Group recorded a gain on foreign exchange of approximately MYR10.8 million in other income where such gain on foreign exchange was offset by a loss from changes in fair value of foreign currency forward contracts ("derivative loss") of approximately MYR20.3 million recorded under the Group's administrative expenses. This has resulted in a net loss on foreign exchange of approximately MYR9.5 million in the Previous Corresponding Period.

Administrative expenses

The Group's administrative expenses decreased by MYR2.8 million from MYR49.5 million in the Previous Corresponding Period to MYR46.7 million during the Period. This was mainly due to the following factors:

- (i) loss on foreign exchange of MYR6.2 million during the Period as compared to a derivative loss of MYR20.3 million in the Previous Corresponding Period. As discussed above under the other income category, elements of the foreign exchange movement under the administrative expenses had to be interpreted in tandem with the foreign exchange movement captured under the Group's other income for its net effects.

The above decrease in administrative expenses arising from the movement in foreign exchange was partially offset by:

- (i) higher administrative staff cost of MYR2.5 million during the Period from the salary increment and higher amount of employee benefit expense arising from the employees' share award scheme;
- (ii) incurrence of the research and development cost of the single-use medical devices amounting to MYR7.5 million; and
- (iii) higher upkeep and maintenance cost in computer and office equipment of MYR1.2 million with the increase in staff headcount.

Profit for the Period

The Group closed its nine months ended 30 September 2023 with a net profit of MYR108.4 million, an increase of 12.0% as compared to the net profit of MYR96.7 million in the Previous Corresponding Period. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the Period stood at MYR122.6 million as compared to MYR103.3 million recorded in the Previous Corresponding Period, representing an increase of 18.7%. Basic earnings per share rose from 4.06 sen to 4.54 sen during the Period.

Prospect

Looking ahead, the current volatile and unstable macro environment look unlikely to abate anytime soon with the ongoing geopolitical instability across different regions and the persistent inflationary pressure. The Group, while adopting an observance stance, remains optimistic on concluding the financial year with another revenue milestone on the back of an encouraging order book from its automotive and medical devices industry segments. Benefitting from the robustness and structural shift in global automotive electrification and e-mobility, the automotive industry segment is expected to contribute the highest proportion of the Group's revenue in year 2023. Meanwhile, after recording a remarkable double-digit revenue growth for the nine months ended 30 September 2023, revenue momentum from the medical devices industry is expected to remain in propelling the Group's FAS segment to the next level of business growth for the year.

Fortified by a relatively healthy balance sheet and financial position, the construction of the Group's new manufacturing plant which is internally funded, remains on track. With phase one of the manufacturing plant expecting to be completed by end of this year coupled with the current workforce of more than 900, the Group will intensify and remain steadfast in executing its strategies, besides investing in research and development in capturing the next wave of business growth as the Group expands its manufacturing capacity and human capital. As it is, the Group's growth strategies pillar remain centred on product and segmental diversification as well as geographical expansion.

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.com.my) respectively.

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

Hong Kong, 2 November 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.