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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 2024**

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 three months ended 31 March 2024 (“1Q2024”), together with the comparative figures for the three months ended 31 March 2023 (“1Q2023”) (*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	2024 (Unaudited) MYR'000	2023 (Unaudited) MYR'000
Revenue	170,730	165,303
Gross profit	49,862	47,422
Profit for the period	30,225	34,323
Earnings per share (sen)		
Basic	1.27	1.44
Diluted	1.27	1.44

- Revenue of the Group was MYR170.7 million, representing an increase of 3.3% over the corresponding period last year.
- Profit for the period stood at MYR30.2 million, representing a decrease of 11.9% over the corresponding period last year.
- Cash and cash equivalents of MYR351.1 million as at 31 March 2024 against MYR395.8 million as at 31 December 2023.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED 31 MARCH 2024

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2024 (Unaudited) MYR'000	31/3/2023 (Unaudited) MYR'000	31/3/2024 (Unaudited) MYR'000	31/3/2023 (Unaudited) MYR'000
Revenue	170,730	165,303	170,730	165,303
Cost of sales	(120,868)	(117,881)	(120,868)	(117,881)
Gross profit	49,862	47,422	49,862	47,422
Other income	2,828	8,010	2,828	8,010
Distribution costs	(2,597)	(2,111)	(2,597)	(2,111)
Administrative expenses	(19,092)	(19,357)	(19,092)	(19,357)
Other operating expenses	(66)	(63)	(66)	(63)
Operating profit	30,935	33,901	30,935	33,901
Share of results of associates	(222)	1,051	(222)	1,051
Profit before taxation	30,713	34,952	30,713	34,952
Taxation	(488)	(629)	(488)	(629)
Profit for the period	30,225	34,323	30,225	34,323
Other comprehensive income				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Exchange gain on translation of financial statements of foreign operations	58	12	58	12
Profit and total comprehensive income for the period	30,283	34,335	30,283	34,335
Earnings per share (sen)				
Basic/Diluted	1.27	1.44	1.27	1.44

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2024 should be read in conjunction with the audited financial statements for the year ended 31 December 2023.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

	As at 31/3/2024 (Unaudited) MYR'000	As at 31/12/2023 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	295,593	247,117
Leasehold land	34,746	34,900
Deposits paid for acquisition of property, plant and equipment	12,306	13,612
Goodwill	4,495	4,495
Intangible assets	37,472	36,864
Interests in associates	17,356	17,578
	<u>401,968</u>	<u>354,566</u>
Current assets		
Inventories	160,744	190,608
Trade receivables	206,332	196,289
Other receivables, deposits and prepayments	15,877	15,717
Amount due from ultimate holding company	4	4
Amount due from fellow subsidiaries	1,381	1,227
Derivative financial assets	662	2,384
Other investments	186	170
Tax recoverable	2,211	2,279
Cash and cash equivalents	351,079	395,797
	<u>738,476</u>	<u>804,475</u>
Total assets	<u>1,140,444</u>	<u>1,159,041</u>

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

AS AT 31 MARCH 2024

	As at 31/3/2024 (Unaudited) MYR'000	As at 31/12/2023 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	12,340	12,340
Reserves	<u>867,756</u>	<u>835,632</u>
Total equity	<u>880,096</u>	<u>847,972</u>
LIABILITIES		
Current liabilities		
Trade payables	103,302	118,022
Other payables, accruals and provisions	38,706	43,730
Contract liabilities	104,193	137,940
Derivative financial liabilities	602	1,833
Provision for taxation	<u>48</u>	<u>57</u>
	<u>246,851</u>	<u>301,582</u>
Non-current liabilities		
Other payables	10,589	6,717
Deferred income	893	620
Deferred tax liabilities	<u>2,015</u>	<u>2,150</u>
	<u>13,497</u>	<u>9,487</u>
Total liabilities	<u>260,348</u>	<u>311,069</u>
Total equity and liabilities	<u><u>1,140,444</u></u>	<u><u>1,159,041</u></u>

The unaudited condensed consolidated statement of financial position as at 31 March 2024 should be read in conjunction with the audited financial statements for the year ended 31 December 2023.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2024**

	Share capital MYR'000	Share premium MYR'000	Shares held for share award scheme MYR'000	Share award reserve MYR'000	Statutory 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 2024 (Audited)	12,340	80,650	(14,923)	3,944	454	44,477	(33)	691,620	29,443	847,972
<i>Transactions with owners:</i>										
Equity-settled share award scheme expenses	-	-	-	1,841	-	-	-	-	-	1,841
Vesting of shares of share award scheme	-	-	(4)	4	-	-	-	-	-	-
	-	-	(4)	1,845	-	-	-	-	-	1,841
Profit for the period	-	-	-	-	-	-	-	30,225	-	30,225
Other comprehensive income	-	-	-	-	-	-	58	-	-	58
Total comprehensive income for the period	-	-	-	-	-	-	58	30,225	-	30,283
As at 31 March 2024 (Unaudited)	12,340	80,650	(14,927)	5,789	454	44,477	25	721,845	29,443	880,096
As at 1 January 2023 (Audited)	12,340	80,650	(11,478)	3,706	-	44,477	(80)	579,955	27,143	736,713
<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
Profit for the period	-	-	-	-	-	-	-	34,323	-	34,323
Other comprehensive income	-	-	-	-	-	-	12	-	-	12
Total comprehensive income for the period	-	-	-	-	-	-	12	34,323	-	34,335
As at 31 March 2023 (Unaudited)	12,340	80,650	(9,067)	2,730	-	44,477	(68)	614,357	27,143	772,562

The unaudited condensed consolidated statement of changes in equity for the three months ended 31 March 2024 should be read in conjunction with the audited financial statements for the year ended 31 December 2023.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH 2024

	3 Months Ended 31/3/2024 (Unaudited) MYR'000	3 Months ended 31/3/2023 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	30,713	34,952
Adjustments for:		
Amortisation of intangible assets	1,472	770
Amortisation of leasehold land	154	36
Depreciation of property, plant and equipment	2,923	2,193
Loss/(Gain) from changes in fair value of foreign currency forward contracts	491	(5,744)
Gain on disposal of other investments	-	(17)
Gain from changes in fair value of other investments	(16)	(1)
Bank interest income	(2,637)	(2,094)
Inventory written down – addition	990	247
Inventory written down – reversal	(80)	(11)
Expected credit loss (“ECL”) allowance on trade receivables	623	199
Reversal of ECL allowance on trade receivables	(268)	(720)
Share of results of associates	222	(1,051)
Equity-settled share award scheme expenses	1,841	1,514
Unrealised (gain)/loss on foreign exchange	(3,561)	163
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Operating profit before working capital changes	32,867	30,436
Decrease/(Increase) in inventories	28,954	(18,209)
Increase in trade and other receivables	(7,025)	(6,628)
Decrease in trade and other payables	(19,356)	(6,602)
Decrease in contract liabilities	(33,747)	(6,909)
Net change in fellow subsidiaries’ balances	(124)	(174)
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Cash generated from/(absorbed by) operations	1,569	(8,086)
Government grants received	273	-
Tax paid	(552)	(352)
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<i>Net cash from/(used in) operating activities</i>	1,290	(8,438)

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

FOR THE THREE MONTHS ENDED 31 MARCH 2024

	3 Months Ended 31/3/2024 (Unaudited) MYR'000	3 Months ended 31/3/2023 (Unaudited) MYR'000
Cash flows from investing activities		
Bank interest received	2,637	2,094
Purchase of intangible assets	(2,078)	(1,676)
Purchase of property, plant and equipment	(46,176)	(18,347)
Deposits paid for acquisition of property, plant and equipment	(727)	-
Proceeds from disposal of other investments	-	78
Advance to fellow subsidiaries	(30)	-
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<i>Net cash used in investing activities</i>	(46,374)	(17,851)
Net decrease in cash and cash equivalents	(45,084)	(26,298)
Cash and cash equivalents at the beginning of the period	395,797	328,628
Effect of foreign exchange rate changes	366	100
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Cash and cash equivalents at the end of the period	<u>351,079</u>	<u>302,430</u>

MANAGEMENT DISCUSSION AND ANALYSIS

As the Group enters 2024, it continues to confront a global outlook that remains fragile and challenging that is marked by ongoing geopolitical tension leading to economic uncertainties and vulnerabilities. Navigating these conditions with caution and agility, the Group managed to sustain its operations and closed the current quarter with a resilient quarterly revenue of MYR170.7 million across 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 2024 as compared to the previous corresponding period is outlined as below:

Unaudited results for the three months ended 31 March 2024

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	72,830	97,900			170,730
Inter-segment revenue	361	850	(1,211)	(i)	-
Total revenue	<u>73,191</u>	<u>98,750</u>			<u>170,730</u>
Results					
Segment results	9,099	23,506	(4,307)		28,298
Interest income	2,532	104	1		2,637
Share of results of an associate	-	-	(222)		(222)
Profit before taxation	11,631	23,610			30,713
Taxation	(557)	69			(488)
Profit for the period	<u><u>11,074</u></u>	<u><u>23,679</u></u>			<u><u>30,225</u></u>

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	<u>195</u>	<u>4,212</u>	(4,407)	(i)	<u>-</u>
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	<u>-</u>	<u>-</u>	1,051		<u>1,051</u>
Profit before taxation	27,775	8,841			34,952
Taxation	<u>(753)</u>	<u>(10)</u>	134		<u>(629)</u>
Profit for the period	<u><u>27,022</u></u>	<u><u>8,831</u></u>			<u><u>34,323</u></u>

Note to segment information:

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

Overall, the Group's revenue increased by approximately 3.3% to MYR170.7 million in 1Q2024 as compared to MYR165.3 million recorded in 1Q2023. The Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 42.7% and 57.3% respectively of the Group's total revenue in the current quarter.

ATE segment

Revenue from this segment declined by approximately MYR38.2 million from MYR111.4 million in the previous corresponding quarter to MYR73.2 million in 1Q2024 given the turbulence and uncertain recovery of supply chain disruptions besides slower-than-expected demand recovery in the inventory normalisation rate in the reporting quarter. Within the ATE segment, the Group's automotive segment maintained the highest proportion with its revenue contribution of 60.3% in 1Q2024 which was largely driven by demand for the Group's back-end test and assembly solutions from leading global automotive component players. However, revenue from this segment declined by 50.1% as compared to 1Q2023 due to the overall softness in demand within the automotive end market as a result of shifting consumer demands and the lack of transparency surrounding subsidies for the electric vehicle markets globally. On the contrary, the electro-optical industry accounted for 25.3% during 1Q2024, up from 6.6% in 1Q2023, a significant increase of 152.8% for this segment. This surge in revenue was mainly driven by the delivery of the Group's flagship smart sensor test equipment for the upgraded version of the ambient light sensor. Meanwhile, revenue contribution from the semiconductor industry contributed approximately 13.4% within the segment, indicating a moderate decline from 13.8% achieved in 1Q2023.

The industry as a whole experienced economic challenges and uncertainties as the recovery progressed at a slower pace than anticipated. This slowdown prompted manufacturers to exercise greater caution in their capital equipment spending across various sectors and such near-term headwinds directly impacted the revenue downturn within the ATE segment for the quarter. However, the Group remains optimistic about the recovery and prospects of its ATE segment attributed to the Group's diversified portfolio. This optimism is underpinned by the long term structural trends of automotive electrification, the growing influence of artificial intelligence, the expanding Internet of Things landscape and the evolving trends in opto-electronic devices. These trends are expected to provide substantial support and opportunities for growth within the ATE segment in the coming periods.

FAS segment

After achieving double-digit growth for four consecutive years since 2020, this quarter marked a significant milestone for the FAS segment as its revenue surpassed the revenue of the ATE segment for the first time in the Group's history. In 1Q2024, revenue from the FAS segment continued its impressive revenue growth trajectory with the increase of 69.4% to MYR98.8 million as compared to MYR58.3 million in 1Q2023, setting yet another record quarterly revenue for the FAS segment. This exceptional performance of the FAS segment was driven by the stellar growth of its medical devices segment which experienced a remarkable increase in its contribution rate from 35.4% in 1Q2023 to 80.2% in 1Q2024, representing an exponential growth of 310.5% within the segment.

The prominence of the medical devices segment is particularly noteworthy from the sustained demand and the significant growth potential for this segment. This potential is fuelled by technological advancements and prevailing trends in healthcare manufacturing that prioritise automation and innovation to achieve consistency, efficiency, precision and productivity in its production and operations. The Group has been expanding its customer base globally within this segment and actively seeking new opportunities to capture a larger market share. In 1Q2024, other industry segments contributing to the FAS segment were electro-optical segment and consumer and industrial products segment with each contributing approximately 10.1% and 9.6% respectively.

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

	For the three months ended 31 March			
	2024 (Unaudited) MYR'000	%	2023 (Unaudited) MYR'000	%
Medical devices	78,547	46.0	19,135	11.6
Automotive	43,883	25.7	90,084	54.5
Electro-Optical	28,372	16.6	19,197	11.6
Consumer and industrial products	10,124	5.9	16,568	10.0
Semiconductor	9,804	5.8	20,319	12.3
	170,730	100.0	165,303	100.0

Gross margin

In the first quarter of 2024, gross profit margin of the Group stood at approximately 29.2% as opposed to 28.7% recorded in the first quarter of 2023. In the current quarter, the Group provided an additional bonus payout (similar to first quarter of 2023) to both direct and indirect labour categories as part of its efforts to retain talent within the organisation, amounting to approximately MYR3.3 million. Excluding these bonus payouts, the Group's gross profit margin will be at 31.1%, versus 30.9% in the first quarter of 2023. Amidst the current market softness, the Group demonstrated sustainability and resilience in its operational margin through the strength of its primary segments, namely the medical devices and automotive segments, where these segments typically command better gross margin compared to other business segments.

Other income

Other income of the Group mainly consisted of the movement arising from foreign exchange and interest income. During the reporting quarter, the amount was mainly contributed by the bank interest income totalling MYR2.6 million, up from MYR2.1 million in 1Q2023. There were no elements of foreign exchange movement included in other income during 1Q2024.

Comparatively, there were foreign exchange movements contributing to other income in 1Q2023, marked by a gain of approximately MYR5.7 million from changes in the fair value of foreign currency forward contracts (“derivative gain”). Such derivative gain was to be interpreted in tandem with the loss on foreign exchange of approximately MYR7.3 million recorded in the Group’s administrative expenses in 1Q2023 for its net effects.

Administrative expenses

The Group’s administrative expenses decreased by MYR0.3 million from MYR19.4 million in 1Q2023 to MYR19.1 million during the quarter. This was mainly due to the following factors:

- (i) lower amount of loss on foreign exchange of MYR4.2 million during the quarter as compared to a higher amount of loss on foreign exchange of MYR7.3 million incurred in 1Q2023; and
- (ii) lower administrative staff cost of MYR0.4 million during the quarter.

The above decrease in administrative expenses were partially offset by:

- (i) higher incurrence of the research and development cost by MYR1.8 million for Pentamaster MediQ Sdn. Bhd., a wholly owned subsidiary of the Company, in respect of its single-use medical devices; and
- (ii) an amount of ECL allowance of MYR0.4 million made on trade receivables during the quarter. Comparatively in 1Q2023, there was a net reversal of ECL allowance amounting to MYR0.5 million as the Group received payments from its customers subsequently following the ECL allowance made in previous years.

Profit for the Period

The Group closed its 1Q2024 with a net profit of MYR30.2 million (1Q2023: MYR34.3 million), representing a decrease of approximately 11.9% as compared to 1Q2023. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the 1Q2024 stood at MYR35.3 million as compared to MYR38.0 million in 1Q2023, representing a decrease of 7.1%. The drop in net profit and EBITDA of the Group in 1Q2024 were mainly due to the increase in staff costs and a higher incurrence of research and development cost in respect of its single-use medical devices.

Basic earnings per share decreased from 1.44 sen in 1Q2023 to 1.27 sen in 1Q2024.

Prospect

With persistent inflationary pressure, geopolitical tension, government policies ambiguity and supply chain disruption, the Group entered 2024 cautiously with sustainability being its strategic priority underpinned by its three approaches of product diversification, geographical diversification and segment diversification. While the Group witnessed some degree of contraction in its current order book for the quarter, the Group, nevertheless, is optimistic in the second half of the year with some positive tailwinds appearing, especially in the new compound and high-performance semiconductor devices that are required in generative artificial intelligence, data centers and automotive segments. As it is, the medical devices segment still forms the largest share in the Group's current order book and the revenue momentum, followed by contributions from the automotive segment, owing to the Group's diversification strategy.

Simultaneously, the Group will also be focusing its resources on product development and talent upskilling in facing the start of a new cyclical upswing in the current technology market centering on artificial intelligence, automotive and medical devices. The Group remained steadfast in directing its investments towards strategic areas such as research and development, system infrastructure and manufacturing capacity in anchoring its foundation towards tapping these upcoming growth opportunities and solidifying the Group's competitive edge in the market. While maintaining a keen eye on its current cost structure, the Group will continue to implement targeted cost control measures with efforts to maintain a skilled and stable workforce in navigating these economic challenges and fostering innovation.

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

Hong Kong, 9 May 2024

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.