

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2021**

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 2021 ("1Q2021"), together with the comparative figures for the three months ended 31 March 2020 ("1Q2020") (*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	2021	2020
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Revenue	115,059	100,040
Gross profit	34,835	34,115
Profit for the period	26,509	26,185
Earnings per share (sen)		
Basic and diluted	1.66	1.64

- Revenue of the Group was MYR115.1 million, representing an increase of approximately 15.0% over the corresponding period last year.
- Profit for the period stood at MYR26.5 million, representing an increase of approximately 1.2% over the corresponding period last year.
- Cash and bank deposits of MYR293.0 million as at 31 March 2021 against MYR300.3 million as at 31 December 2020.

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2021 (Unaudited) MYR'000	31/3/2020 (Unaudited) MYR'000	31/3/2021 (Unaudited) MYR'000	31/3/2020 (Unaudited) MYR'000
Revenue	115,059	100,040	115,059	100,040
Cost of goods sold	(80,224)	(65,925)	(80,224)	(65,925)
Gross profit	34,835	34,115	34,835	34,115
Other income	10,831	9,540	10,831	9,540
Administrative expenses	(15,141)	(14,056)	(15,141)	(14,056)
Distribution costs	(3,105)	(1,887)	(3,105)	(1,887)
Other operating expenses	(42)	(24)	(42)	(24)
Operating profit	27,378	27,688	27,378	27,688
Finance costs	(24)	(38)	(24)	(38)
Share of results of an associate	(125)	(349)	(125)	(349)
Profit before taxation	27,229	27,301	27,229	27,301
Taxation	(720)	(1,116)	(720)	(1,116)
Profit and total comprehensive income for the period	26,509	26,185	26,509	26,185
Earnings per share attributable to owners of the Company (sen):-				
- Basic and diluted	1.66	1.64	1.66	1.64

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2021 should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	As at 31/3/2021 (Unaudited) MYR'000	As at 31/12/2020 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	112,010	114,414
Leasehold land	7,295	7,331
Goodwill	4,495	4,495
Intangible assets	32,087	32,058
Interest in an associate	22,392	7,583
Other receivables, deposits and prepayments	10,966	10,609
	<u>189,245</u>	<u>176,490</u>
Current assets		
Inventories	41,640	33,836
Trade receivables	158,356	139,896
Other receivables, deposits and prepayments	4,503	3,560
Amount due from ultimate holding company	29	-
Amount due from related company	33	-
Derivative financial assets	-	3,336
Other investments	889	676
Tax recoverable	1,286	1,202
Cash and cash equivalents	292,988	300,280
	<u>499,724</u>	<u>482,786</u>
Total assets	<u>688,969</u>	<u>659,276</u>

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

AS AT 31 MARCH 2021

	As at 31/3/2021 (Unaudited) MYR'000	As at 31/12/2020 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,054	8,054
Reserves	554,654	525,491
Total equity	562,708	533,545
LIABILITIES		
Current liabilities		
Trade payables	64,402	62,671
Other payables, accruals and provisions	36,534	37,280
Contract liabilities	14,906	15,471
Amount due to a fellow subsidiary	5	6
Derivative financial liabilities	1,701	-
Bank borrowing	2,875	2,976
Provision for taxation	1,096	744
	121,519	119,148
Non-current liabilities		
Deferred income	39	1,746
Deferred tax liabilities	4,703	4,837
	4,742	6,583
Total liabilities	126,261	125,731
Total equity and liabilities	688,969	659,276

The unaudited condensed consolidated statement of financial position as at 31 March 2021 should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

Equity attributable to owners of the Company								
	Share capital	Share premium	Shares held for share award scheme	Share award reserve	Capital reserve	Retained profits	Proposed final dividend	Total equity
	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 arrangement	-	-	-	3,331	-	-	-	3,331
Vesting of shares of share award scheme	-	-	3,781	(3,331)	-	(450)	-	-
As at 31 March 2021 (Unaudited)	<u>8,054</u>	<u>84,936</u>	<u>(2,745)</u>	<u>-</u>	<u>44,477</u>	<u>411,314</u>	<u>16,672</u>	<u>562,708</u>

Equity attributable to owners of the Company								
	Share capital	Share premium	Shares held for share award scheme	Share award reserve	Capital reserve	Retained profits	Proposed final dividend	Total equity
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
As at 1 January 2020 (Audited)	8,054	84,936	-	-	44,477	288,424	13,032	438,923
Profit and total comprehensive income for the period	-	-	-	-	-	26,185	-	26,185
As at 31 March 2020 (Unaudited)	<u>8,054</u>	<u>84,936</u>	<u>-</u>	<u>-</u>	<u>44,477</u>	<u>314,609</u>	<u>13,032</u>	<u>465,108</u>

The unaudited condensed consolidated statement of changes in equity for the three months ended 31 March 2021 should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	3 Months ended 31/3/2021 (Unaudited) MYR'000	3 Months ended 31/3/2020 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	27,229	27,301
Adjustments for :		
Amortisation of intangible assets	862	192
Deferred income released	(1,707)	(82)
Depreciation of property, plant and equipment	1,042	1,090
Loss on disposal of property, plant and equipment	1,667	-
Interest expenses	24	38
Interest income	(986)	(1,846)
Loss from changes in fair value of foreign currency forward contracts	5,036	5,412
Gain on disposal of other investments	(39)	-
Loss from changes in fair value of other investments	9	-
Expected credit loss ("ECL") allowance on trade receivables	-	(390)
Inventory written downs –addition	99	202
Inventory written downs –reversal	(100)	(41)
Share of results of an associate	125	349
Equity-settled share award scheme expense	3,331	-
Unrealised gain on foreign exchange	(5,950)	(6,506)
Operating profit before working capital changes	30,642	25,719
(Increase)/decrease in inventories	(7,803)	15,744
Increase in receivables	(14,281)	(10,380)
Increase/(decrease) in payables	604	(9,614)
Decrease in contract liabilities	(565)	(10,173)
Net change in holding company balance	(29)	-
Net change in a fellow subsidiary's balance	(34)	9
Cash generated from operations	8,534	11,305
Interests paid	(24)	(38)
Tax paid	(587)	(1,233)
Net cash generated from operating activities	7,923	10,034

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	3 Months ended 31/3/2021 (Unaudited) MYR'000	3 Months ended 31/3/2020 (Unaudited) MYR'000
Cash flows from investing activities		
Bank interest received	986	1,846
Purchase of property, plant and equipment	(988)	(3,136)
Purchase of intangible assets	(891)	(1,652)
Proceed from disposal of property, plant and equipment	720	-
Acquisition of other investments	(355)	-
Proceeds from disposal of other investments	179	-
Investment in an associate	-	(350)
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	(15,283)	(3,292)
Cash flows from financing activities		
Purchase of share for share award scheme	(677)	-
Repayment of term loan	(102)	(88)
Net cash used in financing activities	(779)	(88)
Net (decrease) / increase in cash and cash equivalents	(8,139)	6,654
Cash and cash equivalents at the beginning of the period	300,280	303,955
Effect of foreign exchange rate changes	847	2,494
Cash and cash equivalents at the end of the period	292,988	313,103

MANAGEMENT DISCUSSION AND ANALYSIS

Amidst a long, uneven and uncertain recovery to pre-pandemic situation from the COVID-19, the Group managed to close its current quarter with a higher revenue of MYR115.1 million from its respective reportable segments as compared to the previous corresponding period. The reportable segments of the Group are 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 for the three months ended 31 March 2021 as compared to the previous corresponding period is outlined as below:

Unaudited results for the three months ended 31 March 2021

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	<i>Note</i>	Total MYR'000
Revenue					
External customers	80,353	34,706			115,059
Inter-segment revenue	364	768	(1,132)	<i>(i)</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 an associate	-	-	(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>

Unaudited results for the three months ended 31 March 2020

	Automated test equipment MYR'000	Factory Automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	66,226	33,814			100,040
Inter-segment revenue	1,479	413	(1,892)	(i)	-
Total revenue	<u>67,705</u>	<u>34,227</u>			<u>100,040</u>
Results					
Segment results	19,280	4,721	1,841		25,842
Interest income	1,792	54			1,846
Interest expense	(38)	-			(38)
Share of results of an associate	-	-	(349)		(349)
Profit before taxation	<u>21,034</u>	<u>4,775</u>			<u>27,301</u>
Taxation	(1,111)	(5)			(1,116)
Profit for the period	<u>19,923</u>	<u>4,770</u>			<u>26,185</u>

Note to segment information:

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

Overall, the Group's revenue increased by approximately 15.0% to MYR115.1 million in 1Q2021 as compared to MYR100.0 million recorded in 1Q2020. The Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 69.8% and 30.2% respectively of the Group's total revenue in the current quarter.

ATE segment

This segment recorded an increase in revenue by MYR13.0 million to MYR80.7 million in 1Q2021 as compared to the previous corresponding period. The increase in this segment's revenue by approximately 19.2% was driven primarily by the Group's smart sensor test equipment and solutions in the current quarter, particularly from the electro-optical segment and semiconductor segment where these segments saw revenue growth of 50.6% and 161.1% respectively as compared to 1Q2020. During the period, the electro-optical industry was still dominant within the ATE segment given the recovery in the smartphone market and its peripheral items as compared to the previous corresponding period. The automotive segment, after witnessing continuous robust demand in year 2020, contributed less than 10.0% to the Group's revenue in the current quarter given the automotive industry-wide production disruption from the microchip shortage situation. Nevertheless, the Group continues to see structural growth from this automotive segment in the medium term as well as the electro-optical segment from the proliferation of 5G roll out and newer sensors being developed and embedded in the smartphone and devices market.

FAS segment

Revenue from the FAS segment in 1Q2021 increased by approximately 3.6% to MYR35.5 million as compared to MYR34.2 million recorded in the previous corresponding period. After recording strong growth in year 2020, the FAS segment continued to witness growth albeit at a lower quantum, in lieu of the traveling restrictions which are still in place and a longer project lead time typically for the FAS segment. Nevertheless, this segment continued to witness robust demand for its proprietary i-ARMS (intelligent Automated Robotic Manufacturing System) solutions as more industries and companies adopt industry automation. Additionally, the FAS segment was also contributed by the demand from the medical devices segment for the Group's automated assembly solutions for single-use medical devices.

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

For the three months ended 31 March	2021 (Unaudited)		2020 (Unaudited)	
	MYR'000	%	MYR'000	%
Electro-Optical	65,243	56.6	43,320	43.3
Semiconductor	19,161	16.7	7,339	7.3
Consumer and industrial products	16,375	14.2	19,243	19.2
Automotive	11,348	9.9	17,662	17.7
Medical devices	2,932	2.6	12,476	12.5
	<u>115,059</u>	<u>100.0</u>	<u>100,040</u>	<u>100.0</u>

Gross margin

The gross profit margin of the Group stood at approximately 30.3% in 1Q2021 as opposed to the gross profit margin of 34.1% recorded in 1Q2020. The overall contraction in the gross profit margin was mainly due to (i) lower margin product mix and price adjustment for certain segments and projects, (ii) higher purchase price of certain components as a result of supply chain constraint, and (iii) delivery of some prototype projects for proof of concept where in general, margin for these projects were lower compared to repeat orders.

Other income

Other income of the Group mainly comprised of the movement arising from foreign exchange, interest income and deferred income. The gain on foreign exchange of approximately MYR7.9 million, arising mainly from the appreciation of the U.S. Dollar against MYR towards the end of 1Q2021, was achieved. Such gain on foreign exchange was offset by a loss from changes in fair value of foreign currency forward contracts (“derivative loss”) of approximately MYR5.0 million recorded under the administrative expenses. This has resulted in a net gain of approximately MYR2.9 million recognised on the foreign exchange during the current quarter.

During the period, the Group had also recorded an amount of MYR1.7 million under deferred income arising from the disposal of a machinery that was acquired more than five years ago.

Administrative expenses

The Group’s administrative expenses increased by MYR1.0 million from MYR14.1 million in 1Q2020 to MYR15.1 million during the period. This was mainly due to the following factors:

- (i) loss on disposal of a machinery of MYR1.7 million. However, such loss on disposal was offset by deferred income of MYR1.7 million recorded under other income.

The above increase in cost was partially offset by:

- (i) lower amount of derivative loss of MYR5.0 million as compared to a derivative loss of MYR5.4 million in 1Q2020. Such derivative loss in 1Q2021 was to be interpreted in tandem with a gain on foreign exchange of approximately MYR7.9 million recorded under other income.
- (ii) lower administrative staff cost by approximately MYR0.6 million during the period due to a lower headcount as compared to 1Q2020.

Profit for the period

The Group closed its 1Q2021 with a net profit of MYR26.5 million (1Q2020: MYR26.2 million), representing a marginal increase of approximately 1.2% as compared to 1Q2020. Accordingly, the Group’s EBITDA (earnings before interest, tax, depreciation and amortisation) for the 1Q2021 stood at MYR29.2 million as compared to MYR28.6 million in 1Q2020, representing an increase of 1.9%. Basic earnings per share increased from MYR1.64 in 1Q2020 to MYR1.66 in 1Q2021.

Prospect

Since the beginning of 2021, the Group has been experiencing order intake momentum on the back of improving sentiment for the equipment market with more optimism, albeit uneven, on the overall macro-economic situation following the roll-out of COVID-19 vaccination. The semiconductor industry is also experiencing a “super cycle” given the chips shortage impacting every aspect of the manufacturing industries. To further compound with the 5G deployment, artificial intelligence adaptation, Internet of Things and electrification in the automotive industry, the Group is well positioned to embrace and capture the growth and demand opportunities in this dynamic market given its current exposure to a broader industry segments.

At present, the Group is closely monitoring the pertinent concern revolving the global semiconductor supply chain constraint and will elevate its focus on its material sourcing process by taking into consideration its delivery commitment to its customers as well as the current order book visibility. While the Group has been aggressively ramping up its capacity to meet delivery commitments for the coming quarters, its immediate focus is to take every effort to protect the safety and health of its employees to ensure minimal disruption to its business operations.

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, 7 May 2021

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.