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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 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 nine months ended 30 September 2021 (the "Period"), together with the comparative figures for the nine months ended 30 September 2020 ("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	2021	2020
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Revenue	385,694	308,378
Gross profit	115,674	105,816
Profit for the period	86,398	79,151
Earnings per share (sen)		
Basic and diluted	3.60	3.30

- Revenue of the Group was MYR385.7 million, representing an increase of 25.1% over the Previous Corresponding Period.
- Profit for the Period stood at approximately MYR86.4 million, representing an increase of approximately 9.2% over the Previous Corresponding Period.
- Cash and cash equivalents of MYR334.0 million as at 30 September 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2021

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/9/2021 (Unaudited) MYR'000	30/9/2020 (Unaudited) MYR'000	30/9/2021 (Unaudited) MYR'000	30/9/2020 (Unaudited) MYR'000
Revenue	140,084	105,314	385,694	308,378
Cost of goods sold	(97,651)	(70,453)	(270,020)	(202,562)
Gross profit	42,433	34,861	115,674	105,816
Other income	1,602	5,518	14,182	9,260
Administrative expenses	(8,162)	(10,884)	(29,948)	(24,906)
Distribution costs	(3,746)	(2,011)	(9,488)	(5,834)
Other operating expenses	(38)	(47)	(112)	(83)
Operating profit	32,089	27,437	90,308	84,253
Finance costs	(23)	(36)	(70)	(111)
Share of results of an associate	(408)	(218)	(961)	(887)
Profit before taxation	31,658	27,183	89,277	83,255
Taxation	(943)	(738)	(2,879)	(4,104)
Profit for the financial period	30,715	26,445	86,398	79,151
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss :				
Exchange differences on translation of foreign operations, net of tax	31	-	31	-
Total comprehensive income for the financial period	30,746	26,445	86,429	79,151
Earnings per share attributable to owners of the Company (sen):-				
- Basic and diluted	1.28	1.10	3.60	3.30

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 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 30 SEPTEMBER 2021

	As at 30/9/2021 (Unaudited) MYR'000	As at 31/12/2020 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	117,015	114,414
Leasehold land	7,222	7,331
Goodwill	4,495	4,495
Intangible assets	33,619	32,058
Interest in an associate	21,557	7,583
Other receivables, deposits and prepayments	10,478	10,609
	<u>194,386</u>	<u>176,490</u>
Current assets		
Inventories	62,286	33,836
Trade receivables	178,199	139,896
Other receivables, deposits and prepayments	9,541	3,560
Derivative financial assets	-	3,336
Other investments	267	676
Tax recoverable	637	1,202
Cash and cash equivalents	333,986	300,280
	<u>584,916</u>	<u>482,786</u>
Total assets	<u>779,302</u>	<u>659,276</u>

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

AS AT 30 SEPTEMBER 2021

	As at 30/9/2021 (Unaudited) MYR'000	As at 31/12/2020 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	12,340	8,054
Reserves	<u>592,346</u>	<u>525,491</u>
Total equity	<u>604,686</u>	<u>533,545</u>
LIABILITIES		
Current liabilities		
Trade payables	81,861	62,671
Other payables, accruals and provisions	37,194	37,280
Contract liabilities	45,258	15,471
Amount due to a fellow subsidiary	13	6
Deferred income	13	-
Derivative financial liabilities	998	-
Bank borrowing	2,669	2,976
Provision for taxation	<u>2,176</u>	<u>744</u>
	<u>170,182</u>	<u>119,148</u>
Non-current liabilities		
Deferred income	-	1,746
Deferred tax liabilities	<u>4,434</u>	<u>4,837</u>
	<u>4,434</u>	<u>6,583</u>
Total liabilities	<u>174,616</u>	<u>125,731</u>
Total equity and liabilities	<u>779,302</u>	<u>659,276</u>

The unaudited condensed consolidated statement of financial position as at 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2021

Equity attributable to owners of the Company									
	Share capital	Share premium	Shares held for share award scheme	Share award reserve	Capital reserve	Currency 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 for the period	-	-	-	-	-	-	86,398	-	86,398
Exchange differences on translation of foreign operations	-	-	-	-	-	31	-	-	31
Profit and total comprehensive income for the period	-	-	-	-	-	31	86,398	-	86,429
Transactions with owners:									
Purchase of shares for share award scheme	-	-	(1,621)	-	-	-	-	-	(1,621)
Equity-settled share award scheme arrangement	-	-	-	3,331	-	-	-	-	3,331
Vesting of shares of share award scheme	-	-	3,781	(3,331)	-	-	(450)	-	-
2020 final dividends declared	-	-	-	-	-	-	(326)	(16,672)	(16,998)
Issuance of share capital pursuant to the capitalisation issue	4,286	(4,286)	-	-	-	-	-	-	-
Total transactions with owners	4,286	(4,286)	2,160	-	-	-	(776)	(16,672)	(15,288)
As at 30 September 2021 (Unaudited)	12,340	80,650	(3,689)	-	44,477	31	470,877	-	604,686

Equity attributable to owners of the Company									
	Share capital	Share premium	Shares held for share award scheme	Share award reserve	Capital reserve	Currency 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 2020 (Audited)	8,054	84,936	-	-	44,477	-	288,424	13,032	438,923
Profit and total comprehensive income for the period	-	-	-	-	-	-	79,151	-	79,151
Transaction with owners:									
2019 final dividends declared	-	-	-	-	-	-	(418)	(13,032)	(13,450)
Purchase of shares for share award scheme	-	-	(2,900)	-	-	-	-	-	(2,900)
As at 30 September 2020 (Unaudited)	8,054	84,936	(2,900)	-	44,477	-	367,157	-	501,724

The unaudited condensed consolidated statement of changes in equity for the nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2021

	9 Months ended 30/9/2021 (Unaudited) MYR'000	9 Months ended 30/9/2020 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	89,277	83,255
Adjustments for :		
Amortisation of intangible asset	2,448	1,887
Amortisation of leasehold land	109	109
Expected credit loss (“ECL”) allowance on trade receivable	(281)	3,649
Bad debts written off	-	2
Deferred income released	(1,733)	(245)
Depreciation	2,886	3,230
Interest expense	70	111
Interest income	(3,243)	(4,783)
Loss/(gain) on disposal of property, plant and equipment	1,667	(3)
Gain on disposal of other investments	(78)	-
Loss from changes in fair value of other investments	32	-
Property, plant & equipment written off	-	221
Loss/(gain) from changes in fair value of foreign currency forward contracts	4,334	(54)
Inventory written down –addition	276	256
Inventory written down –reversal	(344)	(1,646)
Share of results of an associate	961	887
Equity-settled share award scheme expense	3,331	-
Unrealised gain on foreign exchange	(298)	(2,429)
Operating profit before working capital changes	99,414	84,447
(Increase)/decrease in inventories	(28,382)	29,429
Increase in receivables	(39,035)	(53,601)
Increase in payables	18,903	12,248
Increase/(decrease) in contract liabilities	29,787	(36,238)
Decrease in ultimate holding company balance	-	2
Net change in a fellow subsidiary’s balance	7	10
Cash generated from operations	80,694	36,297
Interest paid	(70)	(111)
Tax paid	(2,163)	(3,560)
Tax refunded	878	9
Net cash generated from operating activities	79,339	32,635

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

	9 Months ended 30/9/2021 (Unaudited) MYR'000	9 Months ended 30/9/2020 (Unaudited) MYR'000
Cash flows from investing activities		
Interest received	3,243	4,783
Proceeds from disposal of property, plant and equipment	720	30
Purchase of intangible assets	(4,031)	(21,231)
Purchase of property, plant and equipment	(7,852)	(5,959)
Acquisition of other investments	(529)	-
Proceeds from disposal of other investments	989	-
Acquisition of redeemable convertible preference shares of an associate	(15,000)	-
Investment in an associate	-	(1,700)
Proceeds from disposal of shares in associate	66	-
Net cash used in investing activities	(22,394)	(24,077)
Cash flows from financing activities		
Dividend paid	(16,998)	(13,450)
Purchase of share for share award scheme	(1,621)	(2,900)
Repayment of term loan	(307)	(267)
Net cash used in financing activities	(18,926)	(16,617)
Net increase /(decrease) in cash and cash equivalents	38,019	(8,059)
Cash and cash equivalents at the beginning of the period	300,280	303,955
Effect of foreign exchange rate changes	(4,313)	1,320
Cash and cash equivalents at the end of the period	333,986	297,216

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the continuous challenges faced in this prolonged pandemic coupled with the tailback logistics and supply chain disruption amid the “super cycle” in the semiconductor industry, the Group managed to report improved performance with its revenue stood at MYR385.7 million for the nine months ended 30 September 2021. It is also worthy to mention that the Group delivered another record revenue performance of MYR140.1 million during the third quarter of 2021. 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 automated manufacturing solutions.

The performance of the respective operating segments for the nine months ended 30 September 2021 as compared to the Previous Corresponding Period is outlined as below:

Unaudited results for the nine months ended 30 September 2021

	Automated test equipment MYR’000	Factory automation solutions MYR’000	Adjustment MYR’000	<i>Note</i>	Total MYR’000
Revenue					
External customers	270,074	115,620			385,694
Inter-segment revenue	1,339	2,847	(4,186)	(i)	-
Total revenue	<u>271,413</u>	<u>118,467</u>			<u>385,694</u>
Results					
Segment results	72,942	17,220	(3,097)		87,065
Interest income	3,062	166	15		3,243
Interest expense	(70)	-			(70)
Share of results of an associate	-	-	(961)		(961)
Profit before taxation	<u>75,934</u>	<u>17,386</u>			<u>89,277</u>
Taxation	(3,270)	(12)	403		(2,879)
Profit for the period	<u><u>72,664</u></u>	<u><u>17,374</u></u>			<u><u>86,398</u></u>

Unaudited results for the nine months ended 30 September 2020

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	194,369	114,009			308,378
Inter-segment revenue	8,961	1,996	(10,957)	(i)	-
Total revenue	<u>203,330</u>	<u>116,005</u>			<u>308,378</u>
Results					
Segment results	62,569	18,189	(1,288)		79,470
Interest income	4,624	159			4,783
Interest expense	(111)	-			(111)
Share of results of an associate	-	-	(887)		(887)
Profit before taxation	<u>67,082</u>	<u>18,348</u>			<u>83,255</u>
Taxation	<u>(4,064)</u>	<u>(40)</u>			<u>(4,104)</u>
Profit for the period	<u><u>63,018</u></u>	<u><u>18,308</u></u>			<u><u>79,151</u></u>

Note to segment information:

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

For the nine months ended 30 September 2021, the Group recorded a higher revenue at MYR385.7 million as compared to MYR308.4 million achieved in the Previous Corresponding Period, representing an increase of 25.1%. The Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 70.0% and 30.0% respectively of the Group's revenue during the Period.

ATE segment

This segment recorded an increase in revenue by MYR68.1 million to MYR271.4 million for the nine months ended 30 September 2021 as compared to the Previous Corresponding Period. The ATE segment, with its contribution rate of 70.0% to the Group's revenue, was predominantly contributed by the electro-optical segment and the automotive segment. While the electro-optical segment continued to show recovery since fourth quarter 2020, the automotive segment gained its revenue momentum in the current quarter mainly through the delivery of its test handling equipment for IPM (integrated power module), thereby closing the automotive segment's revenue during the Period with a growth rate of 21.2% as compared to the same period last year. The Group continues to see upturn in momentum from the automotive segment given the strong growth in automotive electrification and the Group's timely involvement in anchoring its position in this segment as well as geographically across key automotive

markets in North Asia region and European market. In general, the global technology “super cycle” momentum will continue to provide a growth platform for the Group’s ATE in the immediate term and against the backdrop of such opportunity and supply chain headwinds, the Group continues to leverage on its research and development capabilities to methodically expand its product portfolio and offerings.

FAS segment

Revenue from the FAS segment for the nine months ended 30 September 2021 increased by approximately 2.1% from MYR116.0 million recorded in the Previous Corresponding Period to MYR118.5 million. After marking double digit growth in 2020, the growth in the FAS segment for the nine months ended 30 September 2021 was returned to its normal state given the current capacity and its projects on hand which require longer project lead time coupled with the supply chain disruptions. However, it was notable to witness a wider customer base achieved within this segment during the Period, in addition to a broader project portfolio under the application of the Group’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing System) solutions especially from the consumer and industrial products segment and electro-optical segment. From quarter two of 2021 to quarter three of 2021, the FAS segment marked a growth of approximately 35.2% and the Group is optimistic on the growth prospects of its FAS segment. The Group continues to witness the rapid shift of various industries towards smart manufacturing and the adoption of automation technology, more so with the effect of COVID-19 pandemic where many companies are keen to accelerate the pace of automation for better operational efficiency and digitalisation.

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

For the nine months ended 30 September	2021		2020	
	(Unaudited)		(Unaudited)	
	MYR'000	%	MYR'000	%
Electro-Optical	184,346	47.8	121,035	39.3
Automotive	66,179	17.2	54,615	17.7
Semiconductor	59,445	15.4	42,860	13.9
Consumer and industrial products	54,477	14.1	53,098	17.2
Medical devices	21,247	5.5	36,770	11.9
	<u>385,694</u>	<u>100.0</u>	<u>308,378</u>	<u>100.0</u>

Gross margin

The Group achieved a gross margin of 30.3% and 30.0% for the third quarter and the nine months ended 30 September 2021 respectively, as opposed to the gross margin of 33.1% and 34.3% for the third quarter and the Previous Corresponding Period in year 2020. During the Period, the Group undertook a higher quantum of prototype projects for proof of concept and lower margin product mix. The gross margin was also affected by the higher component price of certain material and an escalating shipment cost, an impact witnessed by the Group since early part of the year. However, with the challenges faced at these fronts, it is worth noting the Group managed to achieve slight margin improvement in the third quarter of 2021 as compared to the gross margin in second quarter.

Other income

The Group's other income increased from MYR9.3 million recorded in the Previous Corresponding Period to MYR14.2 million recorded for the nine months ended 30 September 2021. During the Period, the Group recorded a gain on foreign exchange of approximately MYR8.4 million which arose mainly from the appreciation of the U.S. Dollar against MYR towards the end of the Period. Such gain on foreign exchange was offset by a loss from changes in fair value of foreign currency forward contracts ("derivative loss") of approximately MYR4.3 million for the same period as recorded under the Group's administrative expenses. The Group has also generated interest income of MYR3.2 million captured under its other income during the Period.

Administrative expenses

The Group's administrative expenses increased by MYR5.0 million from MYR24.9 million in the Previous Corresponding Period to MYR29.9 million during the Period. This was mainly due to the following factors:

- (i) derivative loss of MYR4.3 million during the Period. Such derivative loss was to be interpreted in tandem with a gain on foreign exchange of approximately MYR8.4 million recorded under other income. However, there was no derivative loss incurred in the Previous Corresponding Period;
- (ii) loss on disposal of a machinery of MYR1.7 million where such loss on disposal was offset by deferred income of MYR1.7 million captured under other income; and
- (iii) higher administrative staff cost of MYR17.1 million during the Period as compared to MYR14.5 million in the Previous Corresponding Period due to the provision of employee benefit expense for the share award scheme.

The above increase in costs were partially offset by:

- (i) a reversal of ECL allowance on trade receivable of MYR0.3 million recorded during the Period following the collection received from the customers. This was compared against the ECL allowance of MYR3.6 million incurred in the Previous Corresponding Period.

Profit for the Period

The Group closed its nine months ended 30 September 2021 with a net profit of MYR86.4 million, an increase of 9.2% as compared to the net profit of MYR79.2 million in the Previous Corresponding Period. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the Period stood at MYR94.8 million as compared to MYR88.6 million recorded in the Previous Corresponding Period, representing an increase of 7.0%. Basic earnings per share rose from MYR3.30 during the Previous Corresponding Period to MYR3.60 during the Period.

Prospect

On the back of a healthy order book which is fuelled by a robust market sentiment in the current "super cycle", the Group expects to end its financial year 2021 commendably with yearly revenue record achievement. As the Government of Malaysia and global economies lifting the various level of restrictions related to the COVID-19 pandemic and with the impending opening up of more cross border travelling, the Group anticipates a smoother progress in its project site installation and deployment at its customer's premise, which is an important milestone for revenue recognition to take place.

The widely-reported semiconductor shortage and supply chain constraints remained a pertinent concern to the global technology market. Towards this end, it is imperative for the Group to adjust its inventory management strategies as well as project lead time planning with its customers in order to effectively manage the challenging situation. As it is, the Group has been experiencing order intake momentum where customers across the industry segments are gradually preparing for higher levels of inventory to ensure supply security.

Looking ahead, whilst still maintaining a cautious and observance stance, the Group anticipates a more stable and favourable operating environment as global economies are slowly opening up with the pick-up in vaccination rate. The structural shift towards a greener Earth coupled with the proliferation of artificial intelligence and Internet of Things have accelerated the massive digital transformation across key industries such as the electro-optical, automotive and semiconductor segment. The Group as a customised solution provider with many years of experience in this level playing field, believes it is well positioned to leverage and capture the growth from these industry megatrends where such trends will continue to sustain the Group's businesses on a long term basis. The Group's continuous focus on its 3-pillar business strategies of diversification across geographical region, business segments as well as product portfolio remains key in attaining a profitable and sustainable business operation. As it is, the Group has outlined key capital expenditure in funnelling its investment in anchoring its exposure to the rapid development in technological revolution and industrial transformation to enable the Group to seize its long term business prospects.

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

Malaysia, 29 October 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.