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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 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 nine months ended 30 September 2022 (the "Period"), together with the comparative figures for the nine months ended 30 September 2021 ("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	2022	2021
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Revenue	452,928	385,694
Gross profit	140,334	115,674
Profit for the period	96,727	86,398
Earnings per share (sen)		
Basic	4.06	3.60
Diluted	4.06	3.60

- Revenue of the Group was MYR452.9 million, representing an increase of 17.4% over the Previous Corresponding Period.
- Profit for the Period stood at MYR96.7 million, representing an increase of 12.0% over the Previous Corresponding Period.
- Cash and cash equivalents of MYR314.6 million as at 30 September 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2022

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/9/2022 (Unaudited) MYR'000	30/9/2021 (Unaudited) MYR'000	30/9/2022 (Unaudited) MYR'000	30/9/2021 (Unaudited) MYR'000
Revenue	155,595	140,084	452,928	385,694
Cost of sales	(106,813)	(97,651)	(312,594)	(270,020)
Gross profit	48,782	42,433	140,334	115,674
Other income	5,197	1,602	15,305	14,182
Administrative expenses	(19,688)	(8,162)	(49,468)	(29,948)
Distribution costs	(2,516)	(3,746)	(7,784)	(9,488)
Other operating expenses	(60)	(38)	(223)	(112)
Operating profit	31,715	32,089	98,164	90,308
Finance costs	(19)	(23)	(60)	(70)
Share of results of associates	(405)	(408)	(865)	(961)
Profit before taxation	31,291	31,658	97,239	89,277
Taxation	1,150	(943)	(512)	(2,879)
Profit for the period	32,441	30,715	96,727	86,398
Other comprehensive income, including reclassification adjustments				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Exchange (loss)/gain on translation of financial statements of foreign operations	(29)	31	(55)	31
Profit and total comprehensive income for the period attributable to owners of the Company	32,412	30,746	96,672	86,429
Earnings per share attributable to owners of the Company (sen)				
- Basic	1.36	1.28	4.06	3.60
- Diluted	1.36	1.28	4.06	3.60

The unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three months and nine months ended 30 September 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 30 SEPTEMBER 2022

	As at 30/9/2022 (Unaudited) MYR'000	As at 31/12/2021 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	114,476	99,745
Leasehold land	35,356	35,465
Goodwill	4,495	4,495
Intangible assets	39,773	34,629
Interests in associates	20,841	21,706
Deposits paid	-	28,225
Deferred tax assets	219	221
	<u>215,160</u>	<u>224,486</u>
Current assets		
Inventories	140,012	72,006
Trade receivables	242,932	164,043
Other receivables, deposits and prepayments	49,151	12,517
Amount due from ultimate holding company	48	20
Amounts due from fellow subsidiaries	1	17
Derivative financial assets	-	1,246
Other investments	415	374
Tax recoverable	2,160	412
Cash and cash equivalents	314,648	349,959
	<u>749,367</u>	<u>600,594</u>
Total assets	<u>964,527</u>	<u>825,080</u>

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

AS AT 30 SEPTEMBER 2022

	As at 30/9/2022 (Unaudited) MYR'000	As at 31/12/2021 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	12,340	12,340
Reserves	<u>686,998</u>	<u>624,403</u>
Total equity	<u>699,338</u>	<u>636,743</u>
LIABILITIES		
Current liabilities		
Trade payables	131,377	77,553
Other payables, accruals and provisions	39,474	38,824
Contract liabilities	68,368	64,152
Derivative financial liabilities	19,061	-
Bank borrowings	2,248	2,565
Provision for taxation	<u>765</u>	<u>944</u>
	<u>261,293</u>	<u>184,038</u>
Non-current liabilities		
Deferred tax liabilities	<u>3,896</u>	<u>4,299</u>
	<u>3,896</u>	<u>4,299</u>
Total liabilities	<u>265,189</u>	<u>188,337</u>
Total equity and liabilities	<u>964,527</u>	<u>825,080</u>

The unaudited condensed consolidated statement of financial position as at 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2022

	Share capital	Share premium	Shares held for share award scheme	Share award reserve	Capital reserve	Translation reserve	Retained profits	Proposed final dividend	Total
	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	-	-	-	-	-	-	96,727	-	96,727
Other comprehensive income	-	-	-	-	-	(55)	-	-	(55)
Total comprehensive income for the period	-	-	-	-	-	(55)	96,727	-	96,672
<i>Transactions with owners:</i>									
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)	-	-
2021 final dividend declared	-	-	-	-	-	-	(1,138)	(25,766)	(26,904)
Total transactions with owners	-	-	(6,063)	(572)	-	-	(1,676)	(25,766)	(34,077)
As at 30 September 2022 (Unaudited)	12,340	80,650	(10,332)	1,694	44,477	1	570,508	-	699,338
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
Other comprehensive income	-	-	-	-	-	31	-	-	31
Total comprehensive income for the period	-	-	-	-	-	31	86,398	-	86,429
<i>Transactions with owners:</i>									
Purchase of shares for share award scheme	-	-	(1,621)	-	-	-	-	-	(1,621)
Equity-settled share award scheme expenses	-	-	-	3,331	-	-	-	-	3,331
Vesting of shares of share award scheme	-	-	3,781	(3,331)	-	-	(450)	-	-
2020 final dividend proposed	-	-	-	-	-	-	(326)	(16,672)	(16,998)
Bonus 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

The unaudited condensed consolidated statement of changes in equity for the nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2022

	9 Months ended 30/9/2022 (Unaudited) MYR'000	9 Months ended 30/9/2021 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	97,239	89,277
Adjustments for:		
Amortisation of intangible assets	2,329	2,448
Amortisation of leasehold land	109	109
Expected credit losses (“ECL”) allowance on trade receivables	(306)	(281)
Deferred income released	-	(1,733)
Depreciation of property, plant and equipment	3,583	2,886
Interest expenses	60	70
Bank interest income	(3,329)	(3,243)
(Gain)/Loss on disposal of property, plant and equipment	(58)	1,667
Gain on disposal of other investments	(14)	(78)
Loss from changes in fair value of other investments	13	32
Loss from changes in fair value of foreign currency forward contracts	20,307	4,334
Inventory written down – addition	180	276
Inventory written down – reversal	(138)	(344)
Share of results of associates	865	961
Equity-settled share award scheme expenses	5,710	3,331
Unrealised gain on foreign exchange	(11,332)	(298)
Operating profit before working capital changes	115,218	99,414
Increase in inventories	(68,048)	(28,382)
Increase in trade and other receivables	(80,108)	(39,035)
Increase in trade and other payables	56,721	19,623
Increase in contract liabilities	4,216	29,787
Net change in ultimate holding company balance	(28)	-
Net change in fellow subsidiaries balance	16	7
Cash generated from operations	27,987	81,414
Interests paid	(60)	(70)
Tax paid	(3,076)	(2,163)
Tax refunded	241	878
Net cash generated from operating activities	25,092	80,059

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	9 Months ended 30/9/2022 (Unaudited) MYR'000	9 Months ended 30/9/2021 (Unaudited) MYR'000
Cash flows from investing activities		
Bank interest received	3,329	3,243
Proceeds from disposal of property, plant and equipment	58	-
Purchase of intangible assets	(7,473)	(4,031)
Purchase of property, plant and equipment	(18,314)	(7,852)
Acquisition of other investments	(327)	(529)
Proceeds from disposal of other investments	298	989
Acquisition of redeemable convertible preference shares of an associate	-	(15,000)
Proceeds from disposal of interest in an associate	-	66
Net cash used in investing activities	(22,429)	(23,114)
Cash flows from financing activities		
Dividend paid to owners of the Company	(26,904)	(16,998)
Purchase of shares for share award scheme	(12,883)	(1,621)
Repayment of bank borrowing	(317)	(307)
Net cash used in financing activities	(40,104)	(18,926)
Net (decrease)/increase in cash and cash equivalents	(37,441)	38,019
Cash and cash equivalents at the beginning of the period	349,959	300,280
Effect of foreign exchange rate changes	2,130	(4,313)
Cash and cash equivalents at the end of the period	314,648	333,986

MANAGEMENT DISCUSSION AND ANALYSIS

The Group achieved another record quarterly revenue of MYR155.6 million for the third quarter of 2022, with its nine months of 2022's revenue attaining at MYR452.9 million, an encouraging performance amidst the ongoing pandemic-induced supply chain constraints and logistics challenges, along with other macroeconomic uncertainties in a volatile market environment. 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, which includes elements of the inter-segment transactions, for the nine months ended 30 September 2022 as compared to the Previous Corresponding Period is outlined as below:

Unaudited results for the nine months ended 30 September 2022

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	326,305	126,623			452,928
Inter-segment revenue	58,882	4,378	(63,260)	(i)	-
Total revenue	<u>385,187</u>	<u>131,001</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>

Unaudited results for the nine months ended 30 September 2021

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	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 expenses	(70)	-			(70)
Share of results of associates	-	-	(961)		(961)
Profit before taxation	<u>75,934</u>	<u>17,386</u>			<u>89,277</u>
Taxation	<u>(3,270)</u>	<u>(12)</u>	403		<u>(2,879)</u>
Profit for the period	<u><u>72,664</u></u>	<u><u>17,374</u></u>			<u><u>86,398</u></u>

Note to segment information:

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

For the nine months ended 30 September 2022, the Group recorded a higher revenue at MYR452.9 million as compared to MYR385.7 million achieved in the Previous Corresponding Period, representing an increase of 17.4%. The Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 72.0% and 28.0% respectively of the Group's revenue during the Period.

ATE segment

Revenue in the ATE segment jumped by MYR113.8 million to MYR385.2 million for the nine months ended 30 September 2022 as compared to the Previous Corresponding Period, showing a meaningful growth of 41.9%. The automotive segment contributed the largest portion towards this segment with approximately 55.2% during the Period as compared to 22.8% in the Previous Corresponding Period, indicating a significant automotive segment growth exceeding 100.0% within the ATE segment. Such solid performance from the automotive segment was in line with the secular automotive electrification trends and with the Group's timely effort in riding on this momentum. Amid this backdrop, the Group benefitted from its broad solution offerings in its automotive test solutions that are highly customised to meet the specific needs of the global automotive supply chain manufacturers from front-end to back-end.

The semiconductor and electro-optical industry contributed 21.4% and 20.1% respectively, towards the ATE segment during the Period. While revenue contribution from the electro-optical industry indicated signs of contraction, revenue from the semiconductor industry, on the other hand, grew by 19.9% during the Period as compared to the same period in 2021. The Group continued to witness pandemic-induced demand for its legacy semiconductor handling equipment during the Period, driven mainly by the acceleration of global digital transformation along with certain trends of inventory management for supply chain resilience.

FAS segment

Revenue from the FAS segment registered a growth of approximately 28.8% in the third quarter of 2022 against second quarter of 2022 and similarly, a double-digit growth of 14.7% as compared to the corresponding quarter in 2021. This brought the FAS segment achieving a total revenue of MYR131.0 million for the nine months ended 30 September 2022 as compared to MYR118.5 million in the Previous Corresponding Period, representing an overall increase of 10.6%. The consumer and industrial products segment continued to lead within the FAS segment, at a 42.3% contribution rate, followed by the medical devices segment and electro-optical segment with each contributing approximately 32.5% and 20.8% respectively. Notably, the Group witnessed a strong revenue pace from its medical devices segment during the Period due largely to the increased market demand for the Group's proprietary i-ARMS (intelligent Automated Robotic Manufacturing System) solutions. Additionally, the Group continues to witness broader adoption for its i-ARMS among manufacturers for better production efficiency in creating a dynamic production environment to improve reliability, effectiveness and safety while reducing operation and downtime costs. Against this backdrop, revenue from the FAS segment is expected to grow with the huge potential and opportunity anchored by the increasing industrial automation market in the current post-pandemic context.

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

For the nine months ended 30 September	2022		2021	
	(Unaudited)		(Unaudited)	
	MYR'000	%	MYR'000	%
Automotive	185,392	40.9	66,179	17.2
Electro-Optical	91,736	20.3	184,346	47.8
Semiconductor	70,041	15.5	59,445	15.4
Consumer and industrial products	54,557	12.0	54,477	14.1
Medical devices	51,202	11.3	21,247	5.5
	<u>452,928</u>	<u>100.0</u>	<u>385,694</u>	<u>100.0</u>

Gross margin

The Group achieved a gross margin of 31.4% and 31.0% for the third quarter and the nine months ended 30 September 2022 respectively, as opposed to the gross margin of 30.3% and 30.0% for the third quarter and the Previous Corresponding Period in year 2021. The Group's margin continued to improve in the third quarter of 2022 from better economies of scale achieved from the automotive segment and the medical devices segment where these segments generally attain higher gross margins in relative to the other segments. The higher revenue mix from these segments has, to a certain extent, mitigated the ongoing operational cost pressure as a result of higher material prices and rising labour cost from inflationary pressure and talent shortage.

Other income

The Group's other income increased from MYR14.2 million recorded in the Previous Corresponding Period to MYR15.3 million recorded for the nine months ended 30 September 2022. During the Period, the Group recorded a gain on foreign exchange of approximately MYR10.8 million which arose mainly from the continuous 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 MYR20.3 million for the same period as recorded under the Group's administrative expenses. Effectively, this has resulted in a net loss on foreign exchange of approximately MYR9.5 million during the Period. The Group has also generated MYR3.3 million interest income captured under its other income during the Period.

Administrative expenses

The Group's administrative expenses increased by MYR19.5 million from MYR29.9 million in the Previous Corresponding Period to MYR49.5 million during the Period. This was mainly due to the following factors:

- (i) higher amount of derivative loss of MYR20.3 million during the Period as compared to a derivative loss of MYR4.3 million in the Previous Corresponding Period. Such derivative loss was to be interpreted in tandem with a gain on foreign exchange of approximately MYR10.8 million recorded under other income. As part of the Group's treasury policy to protect the margin of the projects, the Group entered into several forward contracts since beginning of the year based on the order book on hand where majority of these contracts received from customers were denominated in U.S. dollars. The Group undertook such hedging process to mitigate any adverse foreign exchange exposure that will affect the financials of the Group given the size of the order book received. The appreciation of the U.S. dollar against MYR during the Period has resulted in the derivative loss arising from the forward contracts committed by the Group.
- (ii) higher administrative staff cost by MYR3.5 million during the Period generally due to salary increment and higher employee benefit expense under its share award scheme and performance incentive.

Profit for the Period

The Group closed its nine months ended 30 September 2022 with a net profit of MYR96.7 million, an increase of 12.0% as compared to the net profit of MYR86.4 million in the Previous Corresponding Period. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the Period stood at MYR103.3 million as compared to MYR94.8 million recorded in the Previous Corresponding Period, representing an increase of 9.0%. Basic earnings per share rose from 3.60 sen to 4.06 sen during the Period.

Prospect

After recording a double-digit revenue growth for the nine months ended 30 September 2022, the Group is optimistic on concluding the financial year by achieving another record year of business growth. During the Period, with the exception of the Group's electro-optical segment, all other industry segments witnessed encouraging growth that has contributed positively to both the ATE and FAS segments of the Group. Particularly, the Group finds the automotive and the medical devices segment having strong positive momentum heading towards next year, barring any significant deterioration in the global economic situation and geopolitical risk. Given the volatility and having learnt from the past, the Group will continue to necessitate its internal supply chain strategies, which include securing critical parts and long lead material items to smoothen its project delivery while converting its orders on hand as scheduled.

Underpinned by the rapid growth and intensifying trends in automotive electrification, the Group's automotive segment will be the main strategic pillar that will pilot the performance and growth of the Group organically in the mid to immediate term. While there are some near-term expenditures associated with the Group's geographical expansion, the incurrence of these operating costs is deemed necessary in order to expand the Group's footprints outside of Malaysia to make further inroads into the automotive market, especially more so in the current deglobalisation trend. Overall, the business sustainability continues to be one of the fundamental principles encapsulating the Group's commitment in achieving a solid business growth over the long run and the Group will stay focused on its strategic business roadmap that will progressively guide the Group in delivering strong business performance going forward.

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, 3 November 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.