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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 2020**

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 2020 ("1Q2020"), together with the comparative figures for the three months ended 31 March 2019 ("1Q2019") (*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	2020	2019
	(Unaudited)	(Unaudited)
	MYR'000	MYR'000
Revenue	100,040	116,670
Gross profit	34,115	41,128
Profit for the period	26,185	30,274
Earnings per share (sen)		
Basic and diluted	1.64	1.89

- Revenue of the Group was MYR100.0 million, representing a decrease of approximately 14.3% over the corresponding period last year.
- Profit for the period stood at MYR26.2 million, representing a decrease of approximately 13.5% over the corresponding period last year.
- Cash and bank deposits of MYR313.1 million as at 31 March 2020 against MYR304.0 million as at 31 December 2019.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2020 (Unaudited) MYR'000	31/3/2019 (Unaudited) MYR'000	31/3/2020 (Unaudited) MYR'000	31/3/2019 (Unaudited) MYR'000
Revenue	100,040	116,670	100,040	116,670
Cost of goods sold	(65,925)	(75,542)	(65,925)	(75,542)
Gross profit	34,115	41,128	34,115	41,128
Other income	9,540	5,482	9,540	5,482
Administrative expenses	(14,056)	(12,081)	(14,056)	(12,081)
Distribution costs	(1,887)	(1,677)	(1,887)	(1,677)
Other operating expenses	(24)	(36)	(24)	(36)
Operating profit	27,688	32,816	27,688	32,816
Finance costs	(38)	(44)	(38)	(44)
Share of results of an associate	(349)	(87)	(349)	(87)
Profit before taxation	27,301	32,685	27,301	32,685
Taxation	(1,116)	(2,411)	(1,116)	(2,411)
Profit and total comprehensive income for the period	<u>26,185</u>	<u>30,274</u>	<u>26,185</u>	<u>30,274</u>
Earnings per share attributable to owners of the Company (sen):-				
- Basic and diluted	1.64	1.89	1.64	1.89

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	As at 31/3/2020 (Unaudited) MYR'000	As at 31/12/2019 (Audited) MYR'000
ASSETS		
Non-current assets		
Property, plant and equipment	80,172	78,088
Leasehold land	7,440	7,476
Goodwill	4,495	4,495
Intangible assets	32,446	30,985
Investment in an associate	4,063	4,062
Other receivables, deposits and prepayments	22,427	21,461
	<u>151,043</u>	<u>146,567</u>
Current assets		
Inventories	43,552	59,458
Trade receivables	75,127	61,692
Other receivables, deposits and prepayments	4,651	4,253
Amount due from ultimate holding company	-	2
Amount due from a subsidiary	-	6
Derivative financial assets	-	2,395
Tax recoverable	17	29
Cash and cash equivalents	313,103	303,955
	<u>436,450</u>	<u>431,790</u>
Total assets	<u>587,493</u>	<u>578,357</u>

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

AS AT 31 MARCH 2020

	As at 31/3/2020 (Unaudited) MYR'000	As at 31/12/2019 (Audited) MYR'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,054	8,054
Reserves	<u>457,054</u>	<u>430,869</u>
Total equity	<u>465,108</u>	<u>438,923</u>
LIABILITIES		
Current liabilities		
Trade payables	23,081	31,478
Other payables, accruals and provisions	38,827	40,023
Contract liabilities	39,385	49,559
Derivative financial liabilities	3,017	-
Bank borrowing	3,274	3,362
Provision for taxation	<u>1,839</u>	<u>1,968</u>
	<u>109,423</u>	<u>126,390</u>
Non-current liabilities		
Deferred income	1,990	2,072
Other payables, accruals and provisions	5,598	5,598
Deferred tax liabilities	<u>5,374</u>	<u>5,374</u>
	<u>12,962</u>	<u>13,044</u>
Total liabilities	<u>122,385</u>	<u>139,434</u>
Total equity and liabilities	<u><u>587,493</u></u>	<u><u>578,357</u></u>

The unaudited Condensed Consolidated Statement of Financial Position as at 31 March 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

	Equity attributable to owners of the Company				Proposed final dividends MYR'000	Total equity MYR'000
	Share capital MYR'000	Share premium MYR'000	Capital reserve MYR'000	Retained profits MYR'000		
	As at 1 January 2020 (Audited)	8,054	84,936	44,477		
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>44,477</u>	<u>314,609</u>	<u>13,032</u>	<u>465,108</u>

	Equity attributable to owners of the Company				Proposed final dividends MYR'000	Total equity MYR'000
	Share capital MYR'000	Share premium MYR'000	Capital reserve MYR'000	Retained profits MYR'000		
	As at 1 January 2019 (Audited)	8,054	84,936	44,477		
Profit and total comprehensive income for the period	-	-	-	30,274	-	30,274
As at 31 March 2019 (Unaudited)	<u>8,054</u>	<u>84,936</u>	<u>44,477</u>	<u>200,753</u>	<u>12,433</u>	<u>350,653</u>

The unaudited Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	3 Months ended 31/3/2020 (Unaudited) MYR'000	3 Months ended 31/3/2019 (Unaudited) MYR'000
Cash flows from operating activities		
Profit before taxation	27,301	32,685
Adjustments for :		
Amortisation of intangible assets	192	185
Deferred income released	(82)	(144)
Depreciation	1,090	858
Interest expense	38	44
Interest income	(1,846)	(1,131)
Loss/ (gain) from changes in fair value of foreign currency forward contracts	5,412	(4,192)
Expected credit loss (“ECL”) allowance on trade receivables	(390)	-
Inventory written down –addition	202	20
Inventory written down –reversal	(41)	(8)
Share of results of an associate	349	87
Unrealised (gain) / loss on foreign exchange	(6,506)	2,248
Operating profit before working capital changes	25,719	30,652
Decrease in inventories	15,744	13,526
(Increase)/decrease in receivables	(10,380)	18,639
Decrease in payables	(9,614)	(8,627)
(Decrease)/increase in contract liabilities	(10,173)	3,235
Net change in a fellow subsidiary’s balance	9	(6)
Cash generated from operations	11,305	57,419
Interest paid	(38)	(44)
Tax paid	(1,233)	(1,590)
Net cash generated from operating activities	10,034	55,785

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

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	3 Months ended 31/3/2020 (Unaudited) MYR'000	3 Months ended 31/3/2019 (Unaudited) MYR'000
Cash flows from investing activities		
Interest received	1,846	1,131
Purchase of property, plant and equipment	(3,136)	(1,983)
Purchase of intangible assets	(1,652)	(668)
Investment in an associate	(350)	(700)
Net cash used in investing activities	(3,292)	(2,220)
Cash flows from financing activities		
Advance from ultimate holding company	-	(82)
Repayment of finance lease liabilities	-	(36)
Repayment of term loan	(88)	(82)
Net cash used in financing activities	(88)	(200)
Net increase in cash and cash equivalents	6,654	53,365
Cash and cash equivalents at the beginning of the period	303,955	217,705
Effect of foreign exchange rate changes	2,494	(1,776)
Cash and cash equivalents at the end of the period	313,103	269,294

MANAGEMENT DISCUSSION AND ANALYSIS

With the unprecedented COVID-19 pandemic and its effect on the entire global supply chain disruption, the Group closed its current quarter with a lower revenue of MYR100.0 million from its respective reportable segments. 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 2020 as compared to the previous corresponding period is outlined as below:

Unaudited results for the three months ended 31 March 2020

	Automated test equipment MYR’000	Factory automation solutions MYR’000	Adjustment MYR’000	<i>Note</i>	Total MYR’000
Revenue					
External customers	66,226	33,814			100,040
Inter-segment revenue	1,479	413	(1,892)	<i>(i)</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	<u>(1,111)</u>	<u>(5)</u>			<u>(1,116)</u>
Profit for the period	<u><u>19,923</u></u>	<u><u>4,770</u></u>			<u><u>26,185</u></u>

Unaudited results for the three months ended 31 March 2019

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Note	Total MYR'000
Revenue					
External customers	99,361	17,309			116,670
Inter-segment revenue	2,868	354	(3,222)	(i)	-
Total revenue	<u>102,229</u>	<u>17,663</u>			<u>116,670</u>
Results					
Segment results	31,377	2,247	(1,939)		31,685
Interest income	1,040	91			1,131
Interest expense	(44)	-			(44)
Share of results of an associate	-	-	(87)		(87)
Profit before taxation	<u>32,373</u>	<u>2,338</u>			<u>32,685</u>
Taxation	<u>(2,394)</u>	<u>(17)</u>			<u>(2,411)</u>
Profit for the period	<u>29,979</u>	<u>2,321</u>			<u>30,274</u>

Note to segment information:

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

Overall, the Group's revenue dropped by approximately 14.3% to MYR100.0 million in 1Q2020 as compared to MYR116.7 million recorded in 1Q2019. The Group's ATE and FAS segments each contributed approximately 66.2% and 33.8% to the Group's total revenue in the current quarter, reflecting a better contribution mix by segment as compared to 1Q2019.

ATE segment

Revenue from this segment declined by MYR34.5 million to MYR67.7 million in 1Q2020 as compared to the previous corresponding period. The drop in revenue by approximately 33.8% from this segment was the result of travelling restriction imposed from the COVID-19 situation that affected the Group's project delivery schedule and site installation. The consequence of such situation was the impediment of timely revenue recognition by the Group during the quarter. However, in 1Q2020, the delivery of the Group's test equipment and solutions caters for a more diverse end market application and industry base, spanning across the automotive segment, 5G infrastructure as well as broader 3D sensing portfolio within the telecommunications segment. This is in addition to the Group's flagship test solutions in ambient and proximity sensors. Taking into account the diversity and exposure of the Group in a wider industry segments with its technology advancements, the Group's ATE segment is expected to witness better momentum going forward barring any further disruption from the current COVID-19 pandemic.

FAS segment

In 1Q2020, revenue from the FAS segment jumped by approximately 93.8% to MYR34.2 million versus MYR17.7 million recorded in the previous corresponding period. The increase was mainly due to the effect of contribution from TP Concept Sdn. Bhd., which the Group acquired in September 2019. Additionally, this segment also witnessed a higher demand for the Group's i-ARMS (intelligent automated robotic manufacturing system) solutions from the automotive segment and the consumer and industrial products segment.

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

For the three months ended 31 March	2020 (Unaudited)		2019 (Unaudited)	
	MYR'000	%	MYR'000	%
Telecommunications	43,320	43.3	75,112	64.4
Consumer and industrial products	19,243	19.2	15,076	12.9
Automotive	17,662	17.7	11,693	10.0
Medical devices	12,476	12.5	47	0.1
Semiconductor	7,339	7.3	14,742	12.6
	<u>100,040</u>	<u>100.0</u>	<u>116,670</u>	<u>100.0</u>

Gross margin

The gross profit margin of the Group stood at approximately 34.1% in 1Q2020 as opposed to the gross profit margin of 35.3% recorded in 1Q2019. The overall slight contraction in the gross profit margin was a result of lesser economies of scale from lower sales achieved during the quarter. This was balanced with a more diverse industry segments with better margin that the Group was exposed to in 1Q2020.

Other income

Other income of the Group increased from MYR5.5 million in 1Q2019 to MYR9.5 million in 1Q2020. This was attributable to an increase in interest income by MYR0.7 million as well as a gain on foreign exchange of approximately MYR7.6 million recorded in 1Q2020. The gain on foreign exchange, arising mainly from the appreciation of the U.S. Dollar against MYR towards the end of 1Q2020, was offset by a loss from changes in fair value of foreign currency forward contracts of approximately MYR5.4 million recorded under the administrative expenses. This has resulted in a net

gain of approximately MYR2.2 million recognised on the foreign exchange during the current quarter.

Administrative expenses

Administrative expenses of the Group mainly comprised of the movement arising from foreign exchange, professional fees and administrative staff cost. Administrative expenses increased from MYR12.1 million recorded in 1Q2019 to MYR14.1 million in 1Q2020 mainly due to the increase in staff remuneration and the provision made for staff incentives. During the quarter, the Group had also recorded a loss from changes in fair value of foreign currency forward contracts of approximately MYR5.4 million under its administrative expenses, which was to be interpreted in tandem with a gain on foreign exchange of approximately MYR7.6 million recorded under other income.

Profit for the period

The Group closed its first quarter of 2020 with a net profit of MYR26.2 million (1Q2019: MYR30.3 million), representing a decrease of approximately 13.5% as compared to 1Q2019. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the first quarter of 2020 stood at MYR28.6 million as compared to MYR33.8 million in the first quarter of 2019, representing a decrease of approximately 15.4%. Basic earnings per share decreased from MYR1.89 in 1Q2019 to MYR1.64 in 1Q2020.

Prospect

With the COVID-19 pandemic that escalated rapidly across the world with much uncertainty and disruptions, the Group expects 2020 to be a challenging year. With the Movement Control Order ("MCO") imposed by the Government of Malaysia since 18 March 2020 as part of the COVID-19 containment measures, and the prior and subsequent lockdowns imposed by the respective governments across the world, this has greatly disrupted and delayed the project delivery timeline of the Group's products and solutions for its customers. While the Group has witnessed the gradual relaxation of the MCO in Malaysia and in other countries as at the date of this announcement, the resumption of production normalisation would take time and the Group strives to recover the lost capacity in project delivery as soon as practicable through productivity improvement, supply chain diversification and increased workforce capacity.

However, putting aside the current pandemic which is beyond the Group's control, the Group strongly believes in its fundamentals with its broadening exposure in segments within the technology sector with the right opportunities. This includes (i) optoelectronics ecosystem and 3D sensing technology within the telecommunications sector, (ii) automotive sectors with the proliferation of

electric vehicle and the electrification in the car industry, (iii) medical sectors, and (iv) consumer and industrial products segment with the wider adoption of robotics and automation. The Group will continue to seek potential opportunities besides leveraging on its technology and know-how to move itself upwards along the technology value chain and gain deeper market traction. The Group will also remain constructive in creating value and returns to its shareholders, and remain steadfast in its business strategies and plans.

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, 15 May 2020

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.