

PENTAMASTER CORPORATION BERHAD (572307-U) ("PCB" or "Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR THE THREE MONTHS ENDED 31 MARCH 2022**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	31/3/2022 (Unaudited) RM'000	31/3/2021 (Unaudited) RM'000	31/3/2022 (Unaudited) RM'000	31/3/2021 (Unaudited) RM'000
Revenue	146,023	115,168	146,023	115,168
Cost of goods sold	(102,185)	(80,830)	(102,185)	(80,830)
Gross profit	<u>43,838</u>	<u>34,338</u>	<u>43,838</u>	<u>34,338</u>
Other income	4,423	11,420	4,423	11,420
Administrative expenses	(11,242)	(15,847)	(11,242)	(15,847)
Distribution costs	(3,288)	(3,105)	(3,288)	(3,105)
Other operating expenses	(179)	(82)	(179)	(82)
Operating profit	<u>33,552</u>	<u>26,724</u>	<u>33,552</u>	<u>26,724</u>
Finance costs	(21)	(24)	(21)	(24)
Share of loss of associates	(214)	(125)	(214)	(125)
Profit before taxation	<u>33,317</u>	<u>26,575</u>	<u>33,317</u>	<u>26,575</u>
Taxation	(944)	(720)	(944)	(720)
Profit for the financial period	<u>32,373</u>	<u>25,855</u>	<u>32,373</u>	<u>25,855</u>
Total other comprehensive income, net of tax: Item that will be reclassified subsequently to profit or loss				
Foreign currency translation of foreign operations	(1)	-	(1)	-
Total comprehensive income for the financial period	<u>32,372</u>	<u>25,855</u>	<u>32,372</u>	<u>25,855</u>
Profit for the financial period, attributable to :				
Owners of the Company	20,397	16,073	20,397	16,073
Non-controlling interests	11,976	9,782	11,976	9,782
	<u>32,373</u>	<u>25,855</u>	<u>32,373</u>	<u>25,855</u>
Profit and total comprehensive income for the financial period, attributable to:				
Owners of the Company	20,396	16,073	20,396	16,073
Non-controlling interests	11,976	9,782	11,976	9,782
	<u>32,372</u>	<u>25,855</u>	<u>32,372</u>	<u>25,855</u>
Earnings per share attributable to owners of the Company (sen) :				
- Basic and diluted	2.86	2.26	2.86	2.26

The unaudited condensed consolidated statement of profit or loss should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

PENTAMASTER CORPORATION BERHAD (572307-U) ("PCB" or "Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Unaudited As at 31/3/2022 RM'000	Audited As at 31/12/2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	142,302	135,232
Investment properties	22,988	19,467
Goodwill	4,495	4,495
Intangible assets	41,608	41,475
Investment in associates	21,492	21,706
Deferred tax assets	221	221
Other receivables, deposits and prepayments	28,229	28,225
	<u>261,335</u>	<u>250,821</u>
Current assets		
Inventories	85,931	72,006
Trade receivables	194,430	165,312
Other receivables, deposits and prepayments	22,473	16,065
Derivative financial assets	1,682	1,246
Other investments	318	374
Tax recoverable	404	449
Cash and cash equivalents	458,851	478,241
	<u>764,089</u>	<u>733,693</u>
TOTAL ASSETS	<u><u>1,025,424</u></u>	<u><u>984,514</u></u>
EQUITY AND LIABILITIES		
Share capital	79,303	79,303
Reserves	498,597	486,452
	<u>577,900</u>	<u>565,755</u>
Non-controlling interests	238,904	229,864
Total Equity	<u>816,804</u>	<u>795,619</u>
LIABILITIES		
Non-current liabilities		
Borrowings	2,031	2,140
Deferred tax liabilities	4,165	4,299
	<u>6,196</u>	<u>6,439</u>
Current liabilities		
Trade payables	96,535	77,560
Other payables, accruals and provision	39,813	39,375
Contract liabilities	64,864	64,152
Borrowings	429	425
Provision for taxation	783	944
	<u>202,424</u>	<u>182,456</u>
Total Liabilities	<u>208,620</u>	<u>188,895</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,025,424</u></u>	<u><u>984,514</u></u>

The unaudited condensed consolidated statement of financial position as at 31 March 2022 should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

PENTAMASTER CORPORATION BERHAD (572307-U) ("PCB" or "Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2022

Equity attributable to owners of the Company

	Share capital	Treasury shares	Shares held for employee share scheme (ESS)	ESS reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2022 (Audited)	79,303	-	(4,269)	2,266	36	488,419	565,755	229,864	795,619
Profit for the financial period	-	-	-	-	-	20,397	20,397	11,976	32,373
Other comprehensive income	-	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the financial period	-	-	-	-	(1)	20,397	20,396	11,976	32,372

Transactions with owners:

Effect of changes in shareholding	-	-	-	-	-	2,936	2,936	(2,936)	-
Purchase of shares held for ESS	-	-	(10,741)	-	-	-	(10,741)	-	(10,741)
Equity settled ESS expenses	-	-	-	2,606	-	-	2,606	-	2,606
ESS vested	-	-	3,378	(3,178)	-	(200)	-	-	-
Purchase of treasury shares	-	(3,052)	-	-	-	-	(3,052)	-	(3,052)
Total transactions with owners	-	(3,052)	(7,363)	(572)	-	2,736	(8,251)	(2,936)	(11,187)
As at 31 March 2022 (Unaudited)	79,303	(3,052)	(11,632)	1,694	35	511,552	577,900	238,904	816,804

Equity attributable to owners of the Company

	Share capital	Treasury shares	Shares held for employee share scheme (ESS)	ESS reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021 (Audited)	79,303	-	(5,849)	-	-	434,972	508,426	196,878	705,304
Profit and total comprehensive income for the period	-	-	-	-	-	16,073	16,073	9,782	25,855
Transactions with owners:									
Purchase of shares held for ESS	-	-	(677)	-	-	-	(677)	-	(677)
Equity settled ESS expenses	-	-	-	3,331	-	-	3,331	-	3,331
ESS vested	-	-	3,781	(3,331)	-	(450)	-	-	-
As at 31 March 2021 (Unaudited)	79,303	-	(2,745)	-	-	450,595	527,153	206,660	733,813

The unaudited condensed consolidated statement of changes in equity for the three months ended 31 March 2022 should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

PENTAMASTER CORPORATION BERHAD (572307-U) ("PCB" or "Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2022

	3 Months ended 31/3/2022 (Unaudited) RM'000	3 Months ended 31/3/2021 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	33,317	26,575
Adjustments for:		
Amortisation of intangible assets	1,254	1,320
Deferred income released	-	(1,707)
Depreciation	1,223	1,075
(Gain) / loss on disposal of property, plant and equipment	(46)	1,667
Interest expense	21	24
Interest income	(1,597)	(1,593)
(Gain) / loss from changes in fair value of foreign currency forward contracts	(436)	5,036
Gain on disposal of other investments	(4)	(39)
Loss from changes in fair value of other investments	13	9
Inventory written downs - addition	72	99
Inventory written downs - reversal	(56)	(100)
Share of results of associates	214	125
ESS expenses	2,606	3,331
Unrealised gain on foreign exchange	(1,025)	(5,950)
Operating profit before working capital changes	<u>35,556</u>	<u>29,872</u>
Increase in inventories	(13,942)	(7,803)
Increase in receivables	(34,710)	(14,586)
Increase in payables	19,386	1,559
Increase / (decrease) in contract liabilities	712	(565)
Cash generated from operations	<u>7,002</u>	<u>8,477</u>
Interest paid	(21)	(24)
Tax paid	(1,193)	(593)
Net cash generated from operating activities	<u>5,788</u>	<u>7,860</u>
Cash flows from investing activities		
Interest received	1,597	1,593
Acquisition of redeemable convertible preference shares of an associate	-	(15,000)
Purchase of property, plant and equipment	(8,337)	(994)
Purchase of investment property	(3,583)	-
Purchase of intangible assets	(1,282)	(891)
Proceeds from disposal of other investments	173	179
Acquisition of other investments	(127)	(355)
Proceeds from disposal of shares in associate	-	66
Net cash used in investing activities	<u>(11,559)</u>	<u>(15,402)</u>

PENTAMASTER CORPORATION BERHAD (572307-U) ("PCB" or "Company")
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2022

	3 Months ended 31/3/2022 (Unaudited) RM'000	3 Months ended 31/3/2021 (Unaudited) RM'000
Cash flows from financing activities		
Repayment of term loan	(105)	(102)
Purchase of treasury shares	(3,052)	-
Purchase of shares for share award scheme	(10,741)	(677)
Net cash used in financing activities	<u>(13,898)</u>	<u>(779)</u>
Net decrease in cash and cash equivalents	(19,669)	(8,321)
Effect of foreign exchange rate changes	279	848
Cash and cash equivalents at the beginning of the period	<u>478,241</u>	<u>437,321</u>
Cash and cash equivalents at the end of the period	<u><u>458,851</u></u>	<u><u>429,848</u></u>

The unaudited condensed consolidated statement of cash flows for the three months ended 31 March 2022 should be read in conjunction with the audited financial statements for the year ended 31 December 2021.

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 31 March 2022

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The figures for the cumulative period in the current quarter to 31 March 2022 have not been audited.

The interim financial report should be read in conjunction with the audited financial statements of the Company and its subsidiaries (“Group”) for the year ended 31 December 2021.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2021, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) that are effective for annual period beginning on or after 1 January 2022:

Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group.

As at the date of this announcement, the Group has not applied the following MFRSs which have been issued as at the end of reporting period but are not yet effective: -

MFRS 17 Insurance Contracts¹
Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments¹
Amendments to MFRS 17 Insurance Contracts¹
Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and MFRS 9 - Comparative Information¹
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current¹
Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies¹
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates¹
Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²

¹ *Effective for annual periods beginning on or after 1 January 2023*

² *Effective date not yet determined*

The Group is in the process of making an assessment of the impact of these new and amended IFRSs upon initial application and anticipates that such application will have no material impact on the results and financial position of the Group.

PENTAMASTER CORPORATION BERHAD (572307-U)

(“PCB” or “Company”)

Notes To The Interim Financial Report For Period ended 31 March 2022

2 Audit Report of Preceding Annual Financial Statements

The audit report of the Group’s most recent annual audited financial statements for the year ended 31 December 2021 was not subject to any qualification.

3 Seasonal and Cyclical Factors

The Group sells its products and services to customers from various sub-sectors of the semiconductor and manufacturing industries. As such, the Group’s performance will, to a certain extent, depend on the outlook and cyclical nature of the semiconductor and manufacturing industries.

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

5 Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

6 Valuations of Property, Plant and Equipment

The carrying values of property, plant and equipment have been brought forward, without amendment from the previous audited financial statements.

7 Changes in Share Capital and Debt

There were no issuances, cancellations, repurchases and repayments of debt and equity securities for the period under review, save for shares bought back pursuant to the authority for the Company to repurchase its own shares approved by the Company’s shareholders at the last annual general meeting held on 11 June 2021.

During the period under review, the Company repurchased 1,000,000 of its own shares. The Company has not sold any of the shares repurchased.

As at 31 March 2022 a total of 1,000,000 shares, representing 0.14% of the issued and paid-up share capital of the Company, were held as treasury shares and carried at cost of RM 3,052,250.

8 Contingent Liabilities

There were no contingent liabilities for the Group since 31 December 2021 up to 31 March 2022.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 31 March 2022

9 Capital Commitments

	Amount (RM'000)
Contracted but not provided for - Property, plant and equipment	3,521
Authorised but not contracted for - Property, plant and equipment	167,198

10 Related Party Transaction

There was no related party transaction for the Group since 31 December 2021 up to 31 March 2022.

11 Segmental Information

The Group has three reportable segments which comprised its major business segments. These business segments are involved in different activities and are managed by segment managers who report directly to the Group’s executive directors. The reportable segments 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
- (iii) Smart control solutions system: Project management, smart building solutions and trading of materials.

Inter-segment transactions have been accounted for on a basis that is consistent with the Group’s accounting policies. No other operating segments have been aggregated to form the above reportable segments. Investment holding and other activities are not considered as reporting segment and the related financial information has been included under “Adjustment”

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 31 March 2022

Results for the period ended 31 March 2022

	Automated test equipment	Factory automation solutions	Smart control solutions system	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	114,390	31,600	33		146,023
Inter-segment revenue	16,143	2,136	-	(18,279)	-
Total revenue	130,533	33,736	33		146,023
Results					
Segment results	31,479	3,526	(827)	(2,223)	31,955
Interest income	1,095	59		443	1,597
Interest expense	(21)	-	-		(21)
Share of results of associates	-	-	-	(214)	(214)
Profit/(loss) before taxation	32,553	3,585	(827)		33,317
Taxation	(1,075)	(3)	-	134	(944)
Profit/(loss) after taxation	31,478	3,582	(827)		32,373

Results for the period ended 31 March 2021

	Automated test equipment	Factory automation solutions	Smart control solutions system	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	80,353	34,706	109	-	115,168
Inter-segment revenue	364	768	-	(1,132)	-
Total revenue	80,717	35,474	109		115,168
Results					
Segment results	24,782	2,185	(872)	(964)	25,131
Interest income	945	34		614	1,593
Interest expense	(24)	-	-		(24)
Share of results of associates	-	-	-	(125)	(125)
Profit/(loss) before taxation	25,703	2,219	(872)		26,575
Taxation	(849)	(5)	-	134	(720)
Profit/(loss) after taxation	24,854	2,214	(872)		25,855

PENTAMASTER CORPORATION BERHAD (572307-U)
(“PCB” or “Company”)
Notes To The Interim Financial Report For Period ended 31 March 2022

12 Profit Before Taxation

	Current Quarter	Current Year to Date
	RM'000	RM'000
Profit before taxation is arrived at after crediting/(charging):		
Depreciation and amortisation	(2,477)	(2,477)
Amortisation of deferred income	-	-
Gain/(loss) on foreign exchange:		
-realised	727	727
-unrealised	1,025	1,025
Gain/(loss) from changes in fair value of foreign currency forward contracts	436	436
Gain on disposal of other investments	4	4
Interest income	1,597	1,597
Interest expense	(21)	(21)
Loss from changes in fair value of other investments	(13)	(13)
Gain/(loss) on disposal of property, plant and equipment	46	46
Property, plant and equipment written off	-	-
Intangible assets written off	-	-
Investment income	-	-
Inventory written downs-addition	(72)	(72)
Inventory written downs-reversal	56	56
Expected credit loss on receivables	-	-
Bad debt written off	-	-

13 Events Subsequent to the End of the Period

There are no material events subsequent to the end of the period under review that have not been reflected in the interim financial report.

14 Review of Performance

	3 Months Ended 31/3/2022	3 Months Ended 31/3/2021	Variance
	RM'000	RM'000	%
Revenue	146,023	115,168	26.8
Operating profit	33,552	26,724	25.6
Profit before taxation	33,317	26,575	25.4
Profit for the period	32,373	25,855	25.2

The Group recorded a quarterly revenue of RM146.0 million in the 3-month ended 31 March 2022 (“1Q2022”) as compared to RM115.2 million registered in the 3-month ended 31 March 2021 (“1Q2021”), representing an increase of 26.8%.

The Group’s revenue was contributed mainly by the ATE and FAS segments, with each constituting approximately 78.3% and 21.6% respectively of the Group’s total revenue in the current quarter.

PENTAMASTER CORPORATION BERHAD (572307-U)**(“PCB” or “Company”)****Notes To The Interim Financial Report For Period ended 31 March 2022**

The below outlined the revenue of the respective operating segments where elements of inter-segment transactions were included.

	3 Months Ended 31/3/2022	3 Months Ended 31/3/2021	Variance
	RM'000	RM'000	%
ATE	130,533	80,717	61.7
FAS	33,736	35,474	(4.9)
Smart control solution system	33	109	(69.7)

The following table sets out revenue breakdown by customers' segment for the Group:

	3 Months Ended 31/3/2022		3 Months Ended 31/3/2021	
	RM'000	%	RM'000	%
Automotive	52,433	35.9	11,348	9.9
Electro-Optical	44,228	30.3	65,243	56.7
Consumer and industrial products	19,889	13.6	16,375	14.2
Semiconductor	18,351	12.6	19,161	16.6
Medical devices	11,089	7.6	2,932	2.5
Others	33	<i>n.m.</i>	109	0.1
Total	146,023		115,168	

The Group closed its 1Q2022 with a profit before taxation of RM33.3 million (1Q2021: RM26.6 million), representing an increase of approximately 25.4%. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the 1Q2022 stood at RM35.8 million (1Q2021: RM29.0 million), representing an increase of 23.4%. Basic earnings per share increased from 2.26 sen in 1Q2021 to 2.86 sen in 1Q2022.

PENTAMASTER CORPORATION BERHAD (572307-U)

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Notes To The Interim Financial Report For Period ended 31 March 2022

Performance of the respective operating segments which includes inter-segment transactions for the current quarter as compared to the previous corresponding quarter is analysed as follows:

1) Automated test equipment

This segment recorded an increase in revenue by approximately RM49.8 million to RM130.5 million in 1Q2022 as compared to the previous corresponding period. The significant growth in this segment's revenue by approximately 61.7% was largely driven by the demand from the automotive segment given the global momentum in structurally shifting towards electric vehicles (“EV”). Such resilience and growth in the EV market have fuelled the demand for the Group's automotive test solutions entailing a full range of assembly and test technologies from front-end to back-end solutions. With vehicle manufacturers' increasingly ambitious electrification plans coupled with supportive regulatory frameworks, the automotive industry will remain robust and contribute positively to the Group's revenue in the short to medium term.

Revenue contribution from the electro-optical industry came in as the second highest within the ATE segment with its contribution rate of 29.5% while the semiconductor industry contributed approximately 16.1% to the ATE segment of the Group. Contribution from the Group's electro-optical segment has downplayed in the overall revenue contribution of the Group given the lack of smart sensors development. However, the Group is witnessing a short-term shift towards optical imaging system and solutions for this segment. Meanwhile, the semiconductor segment witnessed a lead through in demand as vehicle manufacturers add more electric components and semiconductor chips in its next-generation vehicles. Additional “push in” demand for semiconductor equipment due to supply chain constraint has also contributed to the growth of revenue contribution of the Group's semiconductor segment.

As digitalisation and technology convergence continue in the global marketplace, the Group anticipates continuous demand for its wide range of test solutions that caters across its different segments, especially towards high performance integrated chips and power modules coupled with smart sensors and other advanced semiconductor application and contents.

With the increase in revenue, this segment recorded an increase in profit before taxation to RM32.6 million in 1Q2022 (1Q2021: RM25.7 million), representing an increase of 26.7%. However, the quantum of the increase in profit before taxation was partially offset by the continuous challenge over the supply chain disruption and bottlenecks which resulted in cost pressures from key components shortages and higher logistics costs.

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Notes To The Interim Financial Report For Period ended 31 March 2022

2) Factory automation solutions

Revenue from the FAS segment in 1Q2022 decreased slightly by approximately 4.9% to RM33.7 million (1Q2021: RM35.5 million). The slight contraction in revenue was mainly due to the timing of revenue recognition from projects in the FAS segment which inherently requires a longer project lead time. During the quarter, the consumer and industrial product segment witnessed a strong contribution rate of approximately 59.3% towards the FAS’ revenue, whilst the electro-optical segment and medical devices segment contributed 33.2% and 3.3% respectively. Overall, across the segments, the demand of the Group’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing system) has positively contributed towards the FAS.

Generally, the Group is positive with its FAS segment based on the current order book momentum which is driven by the massive shift towards factory automation in a post-pandemic environment coupled with the profound shortage of skilled workers and the rise in labour cost from the mounting inflationary pressure

On the other hand, the FAS segment recorded an increase in the profit before taxation to RM3.6 million in 1Q2022 (1Q2021: RM2.2 million), representing an increase of 61.6%. The increase in profit before taxation was mainly contributed from product mix with better profit margin.

3) Smart control solution system

The products and solutions in this segment entail project management, smart building solutions and trading of materials.

The smart control solution system segment recorded a decrease in revenue to RM33,000 in 1Q2022 (1Q2021: RM0.1 million).

This segment achieved a lower loss before taxation at RM0.8 million in 1Q2022 (1Q2021: RM0.9 million) due to lower production overhead.

PENTAMASTER CORPORATION BERHAD (572307-U)**(“PCB” or “Company”)****Notes To The Interim Financial Report For Period ended 31 March 2022****15 Material Changes in the Quarterly Results as Compared with the Preceding Quarter**

	3 Months Ended	3 Months Ended	Variance
	31/3/2022	31/12/2021	
	RM'000	RM'000	%
Revenue	146,023	122,491	19.2
Operating profit	33,552	32,342	3.7
Profit before taxation	33,317	31,796	4.8
Profit for the period	32,373	30,846	5.0

For 1Q2022, the Group recorded a higher revenue at RM146.0 million as compared to the revenue of RM122.5 million for the 3 months ended 31 December 2021 (“4Q2021”), representing an increase of 19.2%. The increase in 1Q2022 revenue was mainly due to increase in contribution from the ATE business segment which was largely driven by the demand from the automotive and electro-optical segment. The below outlined the revenue of the respective operating segments where elements of inter-segment transactions were included.

	3 Months Ended	3 Months Ended	Variance
	31/3/2022	31/12/2021	
	RM'000	RM'000	%
ATE	130,533	86,974	50.1
FAS	33,736	36,834	(8.4)
Smart control solution system	33	134	(75.4)

The following table sets out revenue breakdown and comparison by customers' segment for the Group:

	3 Months Ended		3 Months Ended	
	31/3/2022		31/12/2021	
	RM'000	%	RM'000	%
Automotive	52,433	35.9	38,143	31.1
Electro-Optical	44,228	30.3	38,721	31.6
Consumer and industrial products	19,889	13.6	24,478	20.0
Semiconductor	18,351	12.6	13,004	10.6
Medical devices	11,089	7.6	8,046	6.6
Others	33	<i>n.m.</i>	99	0.1
Total	146,023		122,491	

Overall, the profit before taxation recorded an increase of 4.8% in 1Q2022 to RM33.3 million (4Q2021: RM31.8 million) from the increase in revenue from the ATE segment. However, the quantum of the increase in profit before taxation was partially offset by the decrease in revenue from the FAS segment.

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Performance of the respective operating segments which includes inter-segment transactions in 1Q2022 as compared to 4Q2021 are analysed as follows:

1) Automated test equipment

In 1Q2022, revenue from the ATE segment increased by RM43.5 million to RM130.5 million (4Q2021: RM87.0 million), representing an increase of 50.1%. The increase was largely driven by the demand from the automotive segment given the global momentum in structurally shifting towards EV. Such resilience and growth in the EV market have fuelled the demand for the Group’s automotive test solutions entailing a full range of assembly and test technologies from front-end to back-end solutions. With vehicle manufacturers’ increasingly ambitious electrification plans coupled with supportive regulatory frameworks, the automotive industry will remain robust and contribute positively to the Group’s revenue in the short to medium term. The Group has also witnessed a short-term shift towards its optical imaging system and solutions for the electro-optical segment.

With increase in revenue, the ATE segment recorded a higher profit before taxation by 37.4% to RM32.6 million in 1Q2022 (4Q2021: RM23.7 million).

2) Factory automation solutions

The FAS segment recorded a decrease in revenue to RM33.7 million in 1Q2022 (4Q2021: RM36.8 million), representing a decrease of 8.4% as a result of the timing of project delivery in the FAS segment.

The FAS segment recorded a decrease in profit before taxation to RM3.6 million (4Q2021: RM8.6 million) in tandem with the decrease in revenue and changes in product mix.

3) Smart control solution system

The smart controls solution system segment recorded a lower revenue in 1Q2022 amounting to RM33,000 (4Q2021: RM0.1 million).

The smart controls solution system recorded a loss before taxation of RM0.8 million in 1Q2022 as compared to profit before taxation of RM0.6 million in 4Q2021. There was a recovery of outstanding debt in 4Q2021 which was previously provided as doubtful debts.

16 Prospect

The Group ended this quarter with a strong order on hand fuelled by a robust market sentiment that revolves around EV and other industry megatrends such as Internet of Things, Industry 4.0 and the accelerating digital transformation in how global companies operate post COVID-19. Given the Group’s continuous effort in embracing a structural shift towards higher growth segments and putting in place strategies for the digital transformation, the order contribution specifically from the automotive segment saw an extensive amount of growth on the back of a wider customer base established within the segment. While the supply chain environment remains disruptive and challenging, the Group continues to work closely with both its customers and suppliers for better capacity planning and visibility.

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The current immediate aim for the Group is to be able to deliver its order as scheduled barring any significant adverse impact from the supply chain bottlenecks, logistics constraints and geopolitical knots. Overall, the Group is optimistic on achieving another record year of business growth while placing its continuous focus on developing a broader product portfolio across key markets and segments, while upskilling its workforce. With that, the Group is establishing more business units within the organisation to provide more opportunity for career development to the next level as the Group expands its addressable markets globally.

17 Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued by the Group.

18 Taxation

The taxation charge for the current quarter and year to date is as follows:

	Current Quarter	Current Year to Date
	RM'000	RM'000
Income tax payable	(944)	(944)
Income tax credit	-	-

The effective tax rate is lower than the statutory tax rate as certain subsidiaries of the Group have been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Industrial Development Authority which exempts 100% of statutory income in relation to production of certain products and solutions.

19 Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

20 Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

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21 Status of Utilisation of Proceeds Raised From Any Corporate Proposal

1) Share Award Scheme

The utilisation of proceeds of RM29.5 million raised from the share award scheme, in conjunction with the Listing Exercise of PIL, as at the end of the reporting quarter is as follows:

Purpose	Proposed Utilisation (RM'000)	Gross Proceeds Received (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Balance (RM'000)
Payment of staff salaries and benefits	4,500	4,500	4,500	Within one (1) year	-
Purchase of raw materials such as sensors, control panels, input/output control and computer field bus system and other services such as subcontracting work	20,000	20,000	2,048	Within five (5) years	17,952
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
Total	29,500	29,500	11,548		17,952

2) Listing Exercise of PIL

The utilisation of proceeds of RM87.1 million from the offer for sale of PIL Shares by the Company, in conjunction with the Listing Exercise of PIL, as at the end of the reporting quarter is as follows:

Purpose	Proposed Utilisation		Gross Proceeds Received⁽²⁾ (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Balance (RM'000)
	Minimum Scenario⁽¹⁾ (RM'000)	Maximum Scenario⁽¹⁾ (RM'000)				
Business expansion through investment and acquisition	33,972	37,775	32,741	-	Within five (5) years	32,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	25,012	Within five (5) years	3,636
Working capital	21,172	23,549	20,405	20,405	Within five (5) years	-
Defray estimated expenses in relation to Listing Exercise, bonus issue and share split, collectively	5,508	5,508	5,306	5,306	Within six (6) months	-
Total	90,378	99,891	87,100	50,723		36,377

Notes:

- (1) *The minimum and maximum scenario under the proposed utilisation was based on the indicative offer price in relation to the Listing Exercise of HKD0.95 and HKD1.05 respectively.*
- (2) *The actual gross proceeds received was based on the actual offer price in relation to the Listing Exercise of HKD1.00. The difference between the gross proceeds received and the proposed utilisation was due to the difference in the conversion rate.*

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22 Borrowings

The Group’s borrowings as at the end of the reporting quarter are as follows:

	RM'000
<u>Short term borrowings (secured)</u>	
Finance lease liabilities	-
Term loan	429
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	-
Term loan	2,031
Total	2,460

All borrowings are denominated in Ringgit Malaysia.

The term loan is secured by way of legal charge over a leasehold land of a subsidiary of the Company.

23 Derivative Financial Instruments

As at the date of the statement of financial position 31 March 2022, the Group has the following outstanding derivative financial instruments:

Derivatives	Contract or Notional amount (RM'000)	Fair value Net gain/(loss) (RM'000)	Purpose
Currency forward contracts: -Less than 1 year	319,618	(1,682)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 31 March 2022, there have been no significant changes to the Group’s exposure to credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group’s risk management objectives, accounting policies and processes since the previous financial year end. Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

24 Fair Value of Financial Liabilities

For the quarter ended 31 March 2022, there is no fair value gain or loss on the financial liabilities. The carrying amounts of the financial liabilities as at date of the end of the statement of financial position date approximate to their fair value due to their short-term nature.

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25 Material Litigations

There was no material litigation since the last annual balance sheet date until the date of this announcement.

26 Dividends

The Board of Directors does not recommend any dividend in respect of the quarter ended 31 March 2022.

27 Earnings Per Share

The calculation of basic earnings per share for the financial period based on the profit and total comprehensive income attributable to owners of the Company for the quarter divided by the weighted average number of ordinary shares in issue during the quarter.

	3 Months Ended 31/3/2022 RM'000	3 Months Ended 31/3/2021 RM'000
Profit attributable to owners of the Company	20,397	16,073
Weighted average number of ordinary shares	712,067,311	712,317,121
Earnings per share attributable to owners of the Company (sen)	2.86	2.26

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
12 May 2022