

PENTAMASTER CORPORATION BERHAD ("PCB" or "COMPANY")
COMPANY NO.: 200201004644 (572307-U)
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2023**

	Individual Quarter		Cumulative Year	
	3 Months Ended 30/9/2023 (Unaudited) RM'000	30/9/2022 (Unaudited) RM'000	Financial Period Ended 30/9/2023 (Unaudited) RM'000	30/9/2022 (Unaudited) RM'000
Revenue	180,743	155,595	522,930	452,961
Cost of goods sold	(126,193)	(107,419)	(368,886)	(314,475)
Gross profit	<u>54,550</u>	<u>48,176</u>	<u>154,044</u>	<u>138,486</u>
Other income	6,344	5,948	11,602	17,285
Distribution costs	(2,868)	(2,516)	(7,224)	(7,789)
Administrative expenses	(19,790)	(20,431)	(48,072)	(51,559)
Other operating expenses	(58)	(66)	(291)	(340)
Operating profit	<u>38,178</u>	<u>31,111</u>	<u>110,059</u>	<u>96,083</u>
Finance costs	-	(19)	-	(60)
Share of (loss)/profit of associates	(644)	(405)	83	(865)
Profit before taxation	<u>37,534</u>	<u>30,687</u>	<u>110,142</u>	<u>95,158</u>
Taxation	(860)	1,098	(2,594)	(564)
Profit for the financial period	<u>36,674</u>	<u>31,785</u>	<u>107,548</u>	<u>94,594</u>
Total other comprehensive income, net of tax: Item that will be reclassified subsequently to profit or loss				
Foreign currency translation of foreign operations	4	(29)	(19)	(55)
Total comprehensive income for the financial period	<u>36,678</u>	<u>31,756</u>	<u>107,529</u>	<u>94,539</u>
Profit for the financial period, attributable to:				
Owners of the Company	23,497	20,074	68,425	59,675
Non-controlling interests	13,177	11,711	39,123	34,919
	<u>36,674</u>	<u>31,785</u>	<u>107,548</u>	<u>94,594</u>
Total comprehensive income for the financial period, attributable to:				
Owners of the Company	23,499	20,055	68,413	59,640
Non-controlling interests	13,179	11,701	39,116	34,899
	<u>36,678</u>	<u>31,756</u>	<u>107,529</u>	<u>94,539</u>
Earnings per share attributable to owners of the Company (Sen):				
- Basic/Diluted	3.30	2.82	9.62	8.39

The unaudited condensed consolidated statement of profit or loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022.

PENTAMASTER CORPORATION BERHAD ("PCB" or "COMPANY")
COMPANY NO.: 200201004644 (572307-U)
QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Unaudited As at 30/9/2023 RM'000	Audited As at 31/12/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	247,056	170,009
Investment properties	22,621	22,805
Goodwill	4,495	4,495
Intangible assets	41,377	40,682
Investment in associates	20,154	20,070
Other investments	7,450	6,117
	<u>343,153</u>	<u>264,178</u>
Current assets		
Inventories	181,774	170,934
Trade receivables	206,491	237,926
Other receivables, deposits and prepayments	69,333	60,407
Derivative financial assets	149	489
Other investments	160	219
Tax recoverable	1,427	2,791
Cash and cash equivalents	521,151	421,225
	<u>980,485</u>	<u>893,991</u>
TOTAL ASSETS	<u>1,323,638</u>	<u>1,158,169</u>
EQUITY AND LIABILITIES		
Share capital	79,303	79,303
Reserves	602,030	547,484
	<u>681,333</u>	<u>626,787</u>
Non-controlling interests	295,325	265,953
Total Equity	<u>976,658</u>	<u>892,740</u>
LIABILITIES		
Non-current liabilities		
Deferred income	810	-
Deferred tax liabilities	3,359	3,762
	<u>4,169</u>	<u>3,762</u>
Current liabilities		
Trade payables	141,096	121,528
Other payables, accruals and provisions	28,317	31,799
Contract liabilities	167,445	100,581
Derivative financial liabilities	4,923	6,847
Tax payable	1,030	912
	<u>342,811</u>	<u>261,667</u>
Total Liabilities	<u>346,980</u>	<u>265,429</u>
TOTAL EQUITY AND LIABILITIES	<u>1,323,638</u>	<u>1,158,169</u>

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

PENTAMASTER CORPORATION BERHAD ("PCB" or "COMPANY")

COMPANY NO.: 200201004644 (572307-U)

QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023**

	Attributable to Owners of the Company					Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Non-distributable				Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Shares held for Employee Share Scheme ("ESS") RM'000	ESS Reserve RM'000	Foreign Currency Translation Reserve RM'000				
As at 1 January 2023 (Audited)	79,303	(3,052)	(11,478)	3,706	(51)	558,359	626,787	265,953	892,740
Profit for the financial period	-	-	-	-	-	68,425	68,425	39,123	107,548
Other comprehensive income for the financial period	-	-	-	-	(12)	-	(12)	(7)	(19)
Total comprehensive income for the financial period	-	-	-	-	(12)	68,425	68,413	39,116	107,529
<i>Transactions with owners:</i>									
Dividend paid	-	-	-	-	-	(14,227)	(14,227)	-	(14,227)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(9,948)	(9,948)
Equity-settled ESS expenses	-	-	-	6,239	-	(2,253)	3,986	2,253	6,239
ESS vested	-	-	8,902	(8,644)	-	(258)	-	-	-
Purchase of shares held for ESS	-	-	(5,675)	-	-	2,049	(3,626)	(2,049)	(5,675)
Total transactions with owners of the Company	-	-	3,227	(2,405)	-	(14,689)	(13,867)	(9,744)	(23,611)
As at 30 September 2023 (Unaudited)	79,303	(3,052)	(8,251)	1,301	(63)	612,095	681,333	295,325	976,658

	Attributable to Owners of the Company					Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Non-distributable				Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Shares held for Employee Share Scheme ("ESS") RM'000	ESS Reserve RM'000	Foreign Currency Translation Reserve 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	-	-	-	-	-	59,675	59,675	34,919	94,594
Other comprehensive income for the financial period	-	-	-	-	(35)	-	(35)	(20)	(55)
Total comprehensive income for the financial period	-	-	-	-	(35)	59,675	59,640	34,899	94,539
<i>Transactions with owners:</i>									
Dividend paid	-	-	-	-	-	(14,227)	(14,227)	-	(14,227)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(9,712)	(9,712)
Equity-settled ESS expenses	-	-	-	5,710	-	(2,061)	3,649	2,061	5,710
ESS vested	-	-	6,820	(6,282)	-	(538)	-	-	-
Purchase of shares held for ESS	-	-	(12,883)	-	-	4,651	(8,232)	(4,651)	(12,883)
Purchase of treasury shares	-	(3,052)	-	-	-	-	(3,052)	-	(3,052)
Total transactions with owners of the Company	-	(3,052)	(6,063)	(572)	-	(12,175)	(21,862)	(12,302)	(34,164)
As at 30 September 2022 (Unaudited)	79,303	(3,052)	(10,332)	1,694	1	535,919	603,533	252,461	855,994

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

PENTAMASTER CORPORATION BERHAD ("PCB" or "COMPANY")**COMPANY NO.: 200201004644 (572307-U)****QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023**

	9 Months ended 30/9/2023 (Unaudited) RM'000	9 Months ended 30/9/2022 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	110,142	95,158
Adjustments for:		
Amortisation of intangible assets	4,946	3,708
Depreciation	8,314	3,897
Gain on disposal of property, plant and equipment	-	(58)
Expected credit loss ("ECL") allowance on receivables	500	-
Reversal of ECL allowance on receivables	(1,313)	(306)
Interest expense	-	60
Interest income	(9,115)	(4,685)
(Gain)/Loss from changes in fair value of foreign currency forward contracts	(1,584)	20,307
Gain on disposal of other investments	(17)	(15)
(Gain)/Loss from changes in fair value of other investments	(2)	13
Inventory written down - addition	639	180
Inventory written down - reversal	(51)	(138)
Property, plant and equipment written off	4	-
Intangible assets written off	3	-
Share of (profit)/loss of associates	(83)	865
ESS expenses	6,239	5,710
Unrealised gain on foreign exchange	(6,984)	(11,273)
Operating profit before working capital changes	111,638	113,423
Increase in inventories	(11,428)	(68,048)
Decrease/(Increase) in receivables	30,975	(105,388)
Increase in payables	13,563	56,707
Increase in contract liabilities	66,864	4,216
Cash generated from operations	211,612	910
Government grants received	810	-
Interest paid	-	(60)
Tax paid	(1,810)	(3,117)
Tax refunded	284	241
Net cash from/(used in) operating activities	<u>210,896</u>	<u>(2,026)</u>
Cash flows from investing activities		
Acquisition of other investments	(1,333)	(6,443)
Interest received	9,115	4,685
Proceeds from disposal of other investments	78	298
Proceeds from disposal of property, plant and equipment	-	58
Purchase of intangible assets	(5,642)	(7,492)
Purchase of investment property	-	(3,583)
Purchase of property, plant and equipment	(85,186)	(18,344)
Net cash used in investing activities	<u>(82,968)</u>	<u>(30,821)</u>
Cash flows from financing activities		
Dividend paid	(14,227)	(14,227)
Dividend paid to non-controlling interest of a subsidiary	(9,948)	(9,712)
Purchase of treasury shares	-	(3,052)
Purchase of shares in a subsidiary for ESS	(5,675)	(12,883)
Repayment of term loan	-	(317)
Net cash used in financing activities	<u>(29,850)</u>	<u>(40,191)</u>
Net increase/(decrease) in cash and cash equivalents	98,078	(73,038)
Effect of foreign exchange rate changes	1,848	2,130
Cash and cash equivalents at beginning	421,225	478,241
Cash and cash equivalents at end	<u>521,151</u>	<u>407,333</u>

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

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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 financial period in the current quarter to 30 September 2023 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 financial year ended 31 December 2022.

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 financial year ended 31 December 2022, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) that are effective for annual periods beginning on or after 1 January 2023:

*MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts
Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and
MFRS 9 - Comparative Information
Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of
Accounting Policies
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and
Errors: Definition of Accounting Estimates
Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities
arising from a Single Transaction
Amendments to MFRS 112 Income Taxes: International Tax Reform - Pillar Two Model
Rules*

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:

*Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback¹
Amendments to MFRS 101 Presentation of Financial Statements: Non-current Liabilities
with Covenants¹
Amendments to MFRS 7 Financial Instruments: Disclosures and MFRS 107 Statement of
Cash Flows - Supplier Finance Arrangements¹
Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates: Lack of
Exchangeability²
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 Venture³*

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective date yet to be confirmed

The Group is in the process of making an assessment of the impact of these new and amended MFRSs 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 (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

2 Audit Report of Preceding Annual Financial Statements

The audit report of the Group’s most recent annual audited financial statements for the financial year ended 31 December 2022 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 financial period under review.

8 Contingent Liabilities

There were no contingent liabilities for the Group since 31 December 2022 up to 30 September 2023.

9 Capital Commitments

	Amount (RM'000)
Contracted but not provided for - Property, plant and equipment	190,513
Authorised but not contracted for - Property, plant and equipment	20,646

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

10 Related Party Transactions

There were no related party transactions for the Group since 31 December 2022 up to 30 September 2023.

11 Segmental Information

The Group has three operating segments which are involved in different activities and are managed by segment managers who report directly to the Group’s executive directors. The operating 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 factory automation solutions;
- (iii) Smart control solution 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 operating segments. Investment holding and other activities are not considered as operating segment and the related financial information has been included under “Adjustment”.

Results for the financial period ended 30 September 2023

	Automated test equipment RM'000	Factory automation solutions RM'000	Smart control solution system RM'000	Adjustment RM'000	Total RM'000
Revenue					
External revenue	358,277	164,528	94	31	522,930
Inter-segment revenue	468	12,315	521	(13,304)	-
Total revenue	<u>358,745</u>	<u>176,843</u>	<u>615</u>		<u>522,930</u>
Results					
Segment results	83,765	34,557	(2,389)	(14,989)	100,944
Interest income	6,255	628	-	2,232	9,115
Share of profit of associates	-	-	-	83	83
Profit/(Loss) before taxation	<u>90,020</u>	<u>35,185</u>	<u>(2,389)</u>		<u>110,142</u>
Taxation	(2,906)	(39)	(51)	402	(2,594)
Profit/(Loss) for the financial period	<u>87,114</u>	<u>35,146</u>	<u>(2,440)</u>		<u>107,548</u>

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

Results for the financial period ended 30 September 2022

	Automated test equipment RM'000	Factory automation solutions RM'000	Smart control solution system RM'000	Adjustment RM'000	Total RM'000
Revenue					
External revenue	326,305	126,623	33		452,961
Inter-segment revenue	535	2,598	165	(3,298)	-
Total revenue	<u>326,840</u>	<u>129,221</u>	<u>198</u>		<u>452,961</u>
Results					
Segment results	75,155	25,357	(2,429)	(6,685)	91,398
Interest income	3,106	222	13	1,344	4,685
Interest expense	(60)	-	-		(60)
Share of loss of associates	-	-	-	(865)	(865)
Profit/(Loss) before taxation	<u>78,201</u>	<u>25,579</u>	<u>(2,416)</u>		<u>95,158</u>
Taxation	(861)	(53)	(50)	400	(564)
Profit/(Loss) for the financial period	<u>77,340</u>	<u>25,526</u>	<u>(2,466)</u>		<u>94,594</u>

12 Profit Before Taxation

	Current Quarter RM'000	Current Year to Date RM'000
Profit before taxation is arrived at after crediting/(charging):		
Depreciation and amortisation	(5,255)	(13,260)
Gain/(Loss) on foreign exchange:		
- realised	1,880	(12,389)
- unrealised	(5,206)	6,984
Gain from changes in fair value of foreign currency forward contracts	2,384	1,584
Gain on disposal of other investments	-	17
Interest income	3,378	9,115
Gain from changes in fair value of other investments	4	2
Property, plant and equipment written off	-	(4)
Gain on disposal of property, plant and equipment	-	-
Intangible assets written off	(3)	(3)
Inventory written down - addition	(251)	(639)
Inventory written down - reversal	33	51
Net (allowance)/reversal of ECL on receivables	(262)	813
Bad debts written off	-	-

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

13 Events Subsequent to the End of the Financial Period

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

14 Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Financial Period Ended		
	30/9/2023	30/9/2022	Variance	30/9/2023	30/9/2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	180,743	155,595	16.2	522,930	452,961	15.4
Operating profit	38,178	31,111	22.7	110,059	96,083	14.5
Profit before taxation	37,534	30,687	22.3	110,142	95,158	15.7
Profit for the financial period	36,674	31,785	15.4	107,548	94,594	13.7

The Group recorded a quarterly revenue of RM180.7 million in the 3-month ended 30 September 2023 (“3Q2023”) as compared to RM155.6 million registered in the 3-month ended 30 September 2022 (“3Q2022”), representing an increase of 16.2%. For the nine-month financial period ended 30 September 2023 (“9M2023”), the Group’s revenue stood at RM522.9 million as compared to RM453.0 million in the nine-month financial period ended 30 September 2022 (“9M2022”), representing an increase of 15.4%.

The Group’s revenue derived mainly from the ATE and FAS segments, contributed approximately 68.5% and 31.5% respectively for the 9M2023 period.

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

	Individual Quarter 3 Months Ended			Cumulative Financial Period Ended		
	30/9/2023	30/9/2022	Variance	30/9/2023	30/9/2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
ATE	98,776	102,109	(3.3)	358,745	326,840	9.8
FAS	88,297	54,120	63.2	176,843	129,221	36.9
Smart control solution system	112	95	17.9	615	198	210.6

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

	Individual Quarter 3 Months Ended				Cumulative Financial Period Ended			
	30/9/2023		30/9/2022		30/9/2023		30/9/2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automotive	74,971	41.5	82,384	52.9	271,682	52.0	185,392	40.9
Medical devices	64,030	35.4	27,027	17.4	98,459	18.8	51,202	11.3
Semiconductor	20,782	11.5	15,886	10.2	72,310	13.8	70,041	15.5
Consumer and industrial products	11,746	6.5	20,204	13.0	29,203	5.6	54,557	12.0
Electro-Optical	9,179	5.1	10,094	6.5	51,182	9.8	91,736	20.3
Others	35	n.m.	-	-	94	n.m.	33	n.m.
Total	180,743		155,595		522,930		452,961	

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

The Group closed its 3Q2023 with a profit before taxation of RM37.5 million (3Q2022: RM30.7 million), representing an increase of approximately 22.3% from the same period last year. The Group closed its 9M2023 with a profit before taxation of RM110.1 million, representing an increase of 15.7% from RM95.2 million recorded in 9M2022. The Group’s EBITDA (earnings before interest, tax, depreciation and amortisation) for the 3Q2023 stood at RM42.8 million (3Q2022: RM33.3 million), representing an increase of 28.5%, while the Group’s EBITDA for the 9M2023 stood at RM123.4 million (9M2022: RM102.8 million), representing an increase of 20.0%. Basic earnings per share rose from 2.82 sen in 3Q2022 to 3.30 sen in 3Q2023, while for 9M2023, basic earnings per share increased from 8.39 sen achieved in 9M2022 to 9.62 sen.

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

Revenue in the ATE segment dropped marginally by RM3.3 million in 3Q2023, to record at RM98.8 (3Q2022: RM102.1 million), a slight decline of 3.3% as compared to the same period last year. This was the result of the timing in revenue recognition of certain projects during the quarter.

Within the ATE segment, the automotive segment continued to form the largest share of wallet, at approximately 74.4% for 3Q2023 (3Q2022: 78.7%). On 9-month basis, the automotive segment contributed 74.4% towards the ATE segment in 9M2023, recording a growth of approximately 48.0% as compared to 9M2022. Such performance growth solidified the Group’s notable breakthrough in the automotive segment which was largely attributed to the Group’s comprehensive range of automotive test and assembly solutions, covering a broad customer base across the key markets in the United States, China, Japan and Europe. On the back of the structural automotive electrification trends, the Group’s automotive industry segment will continue to dominate the Group’s ATE segment in the near future.

Amidst the recent semiconductor industry slowdown, revenue performance from the semiconductor industry segment surprisingly grew in its contribution towards the Group’s ATE segment. During the 3Q2023, the semiconductor industry contributed 21.0% towards the ATE segment, a jump from 15.5% in 3Q2022. However, on 9M2023, this industry segment showed a slight contraction of 3.5% when compared to 9M2022. Such stable performance for the semiconductor industry could be inferred to the Group’s legacy semiconductor handling equipment that has somewhat anchored itself in the marketplace.

On the other hand, revenue contribution from the electro-optical industry continued to show dismal performance, where this industry segment contributed only 4.4% towards the ATE segment in 3Q2023, versus 5.5% for 3Q2022. For 9M2023, the share of wallet coming from this segment was at 6.6%, a significant decrease from 20.1% recorded in 9M2022. The Group’s electro-optical segment has yet to witness a recovery given the dampened consumer demand in the current high inflationary scenario and the lack of smartphone feature upgrades that would entice a strong “push” for smartphone replacement.

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

Overall, the Group’s ATE segment recorded a higher profit before taxation in 3Q2023 at RM19.6 million (3Q2022: RM18.8 million) despite lower revenue recorded. This was mainly due to a lower net loss on foreign exchange in 3Q2023 as compared to 3Q2022.

2) Factory automation solutions

Revenue from the Group’s FAS segment registered a commendable growth of approximately 63.2% in 3Q2023 as compared to the 3Q2022, recording it at RM88.3 million in 3Q2023 versus RM54.1 million in 3Q2022. It was worthy to note a record quarterly revenue achieved by the FAS segment in 3Q2023 as the segment’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing system) continued with its wider acceptance by the customers in the current automation-driven market place. Additionally, such performance was also attributable to the Group’s medical devices industry segment as it further strengthened its market positioning, with a share of wallet coming in at 78.0% in 3Q2023 versus 50.4% in 3Q2022.

Other industry segments’ contribution for the FAS segment in 3Q2023 include consumer and industrial products segment and electro-optical segment, with each contributing approximately 14.1% and 5.9% respectively. All-in-all, the Group expects its FAS segment to continue to grow and contribute meaningfully in the near future as automation adoption across various industries gather its pace given the current deglobalisation manufacturing structure, in achieving better productivity, security, precision and scalability.

For the 3Q2023 period, owing to an increase in the revenue and favorable changes in product mix with better profit margin, the FAS segment recorded a higher profit before taxation at RM25.6 million as compared to RM15.3 million in 3Q2022, a commendable increase of 67.9%.

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 slight increase in revenue to RM0.1 million in 3Q2023, from RM95,000 recorded in 3Q2022. This segment also recorded a higher loss before taxation at RM0.9 million in 3Q2023, as compared to RM0.8 million in 3Q2022.

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

15 Material Changes in the Quarterly Results as Compared with the Preceding Quarter

	3 Months Ended	3 Months Ended	Variance
	30/9/2023	30/6/2023	
	RM'000	RM'000	%
Revenue	180,743	176,882	2.2
Operating profit	38,178	38,626	(1.2)
Profit before taxation	37,534	38,302	(2.0)
Profit for the financial period	36,674	37,209	(1.4)

In 3Q2023, the Group recorded a higher revenue at RM180.7 million as compared to the revenue of RM176.9 million for the 3-month ended 30 June 2023 (“2Q2023”), representing an increase of 2.2%. The increase in 3Q2023 revenue was mainly due to increase in contribution from the FAS business segment that was largely driven by the demand for the Group’s i-ARMS from the medical devices industry segment. Meanwhile, the Group’s profit before taxation for 3Q2023 registered a slight decrease of 2.0% to RM37.5 million (2Q2023: RM38.3 million), primarily due to expenses related to the equity-settled share award scheme. 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
	30/9/2023	30/6/2023	
	RM'000	RM'000	%
ATE	98,776	148,562	(33.5)
FAS	88,297	30,243	192.0
Smart control solution system	112	420	(73.3)

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

	3 Months Ended		3 Months Ended	
	30/9/2023		30/6/2023	
	RM'000	%	RM'000	%
Automotive	74,971	41.5	106,627	60.3
Medical devices	64,030	35.4	15,294	8.6
Semiconductor	20,782	11.5	31,209	17.6
Consumer and industrial products	11,746	6.5	889	0.5
Electro-Optical	9,179	5.1	22,806	12.9
Others	35	<i>n.m.</i>	57	0.1
Total	180,743		176,882	

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

Performance of the respective operating segments which includes inter-segment transactions in 3Q2023 as compared to 2Q2023 are analysed as follows:

1) Automated test equipment

In 3Q2023, revenue from the ATE segment decreased by RM49.8 million to RM98.8 million (2Q2023: RM148.6 million), representing a decrease of 33.5%. The decrease was mainly due to the timing in revenue recognition of certain projects during the quarter.

The ATE segment recorded a lower profit before taxation by 53.9% to RM19.6 million in 3Q2023 (2Q2023: RM42.6 million) due to the decrease in revenue and higher employee benefit expense under its share award scheme that was recorded in 3Q2023.

2) Factory automation solutions

The FAS segment recorded a remarkable increase in revenue to RM88.3 million in 3Q2023 (2Q2023: RM30.2 million), representing a substantial growth of 192.0%. This was mainly driven by the project delivery that was recorded during the quarter from the medical devices industry segment for the Group’s proprietary i-ARMS solutions.

With the increase in revenue and favorable changes in its product mix with better profit margin, the FAS segment witnessed an increase in profit before taxation to RM25.6 million (2Q2023: RM0.7 million).

3) Smart control solution system

In 3Q2023, this segment recorded revenue of RM0.1 million (2Q2023: RM0.4 million) and a loss before taxation of RM0.9 million (2Q2023: RM0.6 million).

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

16 Prospect

Looking ahead, the current volatile and unstable macro environment look unlikely to abate anytime soon with the ongoing geopolitical instability across different regions and the persistent inflationary pressure. The Group, while adopting an observance stance, remains optimistic on concluding the financial year with another revenue milestone on the back of an encouraging order book from its automotive and medical devices industry segments. Benefitting from the robustness and structural shift in global automotive electrification and e-mobility, the automotive industry segment is expected to contribute the highest proportion of the Group’s revenue in year 2023. Meanwhile, after recording a remarkable double-digit revenue growth for the nine months ended 30 September 2023, revenue momentum from the medical devices industry is expected to remain in propelling the Group’s FAS segment to the next level of business growth for the year.

Fortified by a relatively healthy balance sheet and financial position, the construction of the Group’s new manufacturing plant which is internally funded, remains on track. With phase one of the manufacturing plant expecting to be completed by end of this year coupled with the current workforce of more than 900, the Group will intensify and remain steadfast in executing its strategies, besides investing in research and development in capturing the next wave of business growth as the Group expands its manufacturing capacity and human capital. As it is, the Group’s growth strategies pillar remain centred on product and segmental diversification as well as geographical expansion.

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	(860)	(2,594)
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 Investment Development Authority which exempts 100% of statutory income in relation to production of certain products and solutions.

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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.

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 eight (8) years ^(d)	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

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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	5,000	Within eight (8) years ⁽³⁾	27,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	27,462	Within eight (8) years ⁽³⁾	1,186
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	58,173		28,927

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.
- (3) The original intended timeframe for utilisation of two (2) years was extended to five (5) years on 17 January 2020 and further extended to eight (8) years on 18 January 2023.

22 Borrowings

There are no outstanding borrowings or debt securities as at the end of the reporting period.

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

23 Derivative Financial Instruments

As at the date of the statement of financial position 30 September 2023, 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	130,775	(4,774)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 September 2023, 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 30 September 2023, 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.

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 30 September 2023.

PENTAMASTER CORPORATION BERHAD (“PCB” or “COMPANY”)

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

27 Earnings Per Share

The calculation of basic earnings per share for the financial period based on the profit 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 30/9/2023 RM'000	3 Months Ended 30/9/2022 RM'000	9 Months Ended 30/9/2023 RM'000	9 Months Ended 30/9/2022 RM'000
Profit attributable to owners of the Company	23,497	20,074	68,425	59,675
Weighted average number of ordinary shares	711,317,121	711,565,346	711,317,121	711,565,346
Earnings per share attributable to owners of the Company (sen)	3.30	2.82	9.62	8.39

BY ORDER OF THE BOARD

KONG SOWN KAEY

Secretary

2 November 2023