

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2024

	Individual Quarter		Cumulative Year	
	3 Months Ended	3 Months Ended	Financial Period Ended	Financial Period Ended
	30/6/2024	30/6/2023	30/6/2024	30/6/2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Revenue	171,373	176,882	342,163	342,187
Cost of goods sold	(124,003)	(124,099)	(245,276)	(242,693)
Gross profit	<u>47,370</u>	<u>52,783</u>	<u>96,887</u>	<u>99,494</u>
Other income	3,375	8,233	7,042	6,058
Distribution costs	(1,898)	(2,245)	(4,495)	(4,356)
Administrative expenses	(16,586)	(20,012)	(35,934)	(29,082)
Other operating expenses	(142)	(133)	(367)	(233)
Operating profit	<u>32,119</u>	<u>38,626</u>	<u>63,133</u>	<u>71,881</u>
Share of (loss)/profit of associates	(30)	(324)	(252)	727
Profit before taxation	<u>32,089</u>	<u>38,302</u>	<u>62,881</u>	<u>72,608</u>
Taxation	(469)	(1,093)	(974)	(1,734)
Profit for the financial period	<u>31,620</u>	<u>37,209</u>	<u>61,907</u>	<u>70,874</u>
Total other comprehensive income, net of tax: <i>Item that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation of foreign operations	(63)	(35)	(5)	(23)
Total comprehensive income for the financial period	<u>31,557</u>	<u>37,174</u>	<u>61,902</u>	<u>70,851</u>
Profit for the financial period, attributable to:				
Owners of the Company	19,899	23,654	39,275	44,928
Non-controlling interests	11,721	13,555	22,632	25,946
	<u>31,620</u>	<u>37,209</u>	<u>61,907</u>	<u>70,874</u>
Total comprehensive income for the financial period, attributable to:				
Owners of the Company	19,859	23,632	39,272	44,914
Non-controlling interests	11,698	13,542	22,630	25,937
	<u>31,557</u>	<u>37,174</u>	<u>61,902</u>	<u>70,851</u>
Earnings per share attributable to owners of the Company (sen):				
- Basic/Diluted	2.80	3.33	5.52	6.32

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 2023.

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 JUNE 2024**

	Unaudited As at 30/6/2024 RM'000	Audited As at 31/12/2023 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	377,485	282,037
Investment properties	19,118	22,560
Goodwill	4,495	4,495
Intangible assets	39,127	40,058
Investment in an associate	17,326	17,578
Other investments	11,642	9,868
Other receivables, deposits and prepayments	4,942	13,612
	<u>474,135</u>	<u>390,208</u>
Current assets		
Inventories	107,935	190,608
Trade receivables	193,013	196,289
Other receivables, deposits and prepayments	46,208	45,068
Derivative financial assets	155	2,384
Other investments	217	170
Tax recoverable	2,244	2,293
Cash and cash equivalents	447,581	490,870
	<u>797,353</u>	<u>927,682</u>
TOTAL ASSETS	<u>1,271,488</u>	<u>1,317,890</u>
EQUITY AND LIABILITIES		
Share capital	79,303	79,303
Reserves	647,344	620,137
	<u>726,647</u>	<u>699,440</u>
Non-controlling interests	319,560	306,118
Total Equity	<u>1,046,207</u>	<u>1,005,558</u>
LIABILITIES		
Non-current liabilities		
Deferred income	893	620
Deferred tax liabilities	1,881	2,150
Other payables, accruals and provisions	11,005	6,717
	<u>13,779</u>	<u>9,487</u>
Current liabilities		
Trade payables	83,756	118,030
Other payables, accruals and provisions	36,599	44,484
Contract liabilities	65,767	138,441
Dividend payable	24,636	-
Derivative financial liabilities	697	1,833
Tax payable	47	57
	<u>211,502</u>	<u>302,845</u>
Total Liabilities	<u>225,281</u>	<u>312,332</u>
TOTAL EQUITY AND LIABILITIES	<u>1,271,488</u>	<u>1,317,890</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 2023.

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 SIX MONTHS ENDED 30 JUNE 2024

	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	Statutory reserve RM'000	Foreign Currency Translation Reserve RM'000				
As at 1 January 2024 (Audited)	79,303	(3,052)	(14,923)	3,944	454	(21)	633,735	699,440	306,118	1,005,558
Profit for the financial period	-	-	-	-	-	-	39,275	39,275	22,632	61,907
Other comprehensive income for the financial period	-	-	-	-	-	(3)	-	(3)	(2)	(5)
Total comprehensive income for the financial period	-	-	-	-	-	(3)	39,275	39,272	22,630	61,902
<i>Transactions with owners:</i>										
Dividend paid	-	-	-	-	-	-	(14,227)	(14,227)	-	(14,227)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(10,409)	(10,409)
Equity-settled ESS expenses	-	-	-	3,383	-	-	(1,221)	2,162	1,221	3,383
ESS vested	-	-	(7)	7	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	(7)	3,390	-	-	(15,448)	(12,065)	(9,188)	(21,253)
As at 30 June 2024 (Unaudited)	79,303	(3,052)	(14,930)	7,334	454	(24)	657,562	726,647	319,560	1,046,207

	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	Statutory 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	-	-	-	-	-	-	44,928	44,928	25,946	70,874
Other comprehensive income for the financial period	-	-	-	-	-	(14)	-	(14)	(9)	(23)
Total comprehensive income for the financial period	-	-	-	-	-	(14)	44,928	44,914	25,937	70,851
<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	-	-	-	2,944	-	-	(1,063)	1,881	1,063	2,944
ESS vested	-	-	2,678	(2,766)	-	-	88	-	-	-
Purchase of shares held for ESS	-	-	(5,675)	-	-	-	2,049	(3,626)	(2,049)	(5,675)
Total transactions with owners of the Company	-	-	(2,997)	178	-	-	(13,153)	(15,972)	(10,934)	(26,906)
As at 30 June 2023 (Unaudited)	79,303	(3,052)	(14,475)	3,884	-	(65)	590,134	655,729	280,956	936,685

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 2023.

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 SIX MONTHS ENDED 30 JUNE 2024**

	6 Months ended 30/6/2024 (Unaudited) RM'000	6 Months ended 30/6/2023 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	62,881	72,608
Adjustments for:		
Amortisation of intangible assets	3,885	2,919
Depreciation of property, plant and equipment	6,457	5,086
Equity-settled ESS expenses	3,383	2,944
Expected credit loss ("ECL") on receivables:		
- current period	653	-
- reversal	(834)	(1,075)
Gain from changes in fair value of short-term investments	(319)	-
(Gain)/Loss from changes in fair value of other investments	(47)	2
Gain on disposal of other investments	-	(17)
Interest income	(5,965)	(5,737)
Inventory written down - addition	3,230	388
Inventory written down - reversal	(152)	(18)
Loss from changes in fair value of foreign currency forward contracts	1,093	800
Loss on disposal of investment properties	160	-
Property, plant and equipment written off	-	4
Share of loss/(profit) of associates	252	(727)
Unrealised gain on foreign exchange	(3,060)	(12,190)
Operating profit before working capital changes	<u>71,617</u>	<u>64,987</u>
Changes in:		
Inventories	79,595	1,127
Receivables	4,535	(23,862)
Payables	(39,639)	(15,229)
Contract liabilities	<u>(72,674)</u>	<u>48,840</u>
Cash generated from operations	43,434	75,863
Grant received	273	-
Tax paid	(1,200)	(1,108)
Tax refunded	-	61
Net cash from operating activities	<u>42,507</u>	<u>74,816</u>
Cash flows from investing activities		
Acquisition of other investments	(1,774)	(1,333)
Deposits paid for acquisition of property, plant and equipment	(417)	-
Interest and fund distributions received	6,284	5,737
Proceeds from disposal of:		
- investment properties	3,163	-
- other investments	-	78
Purchase of:		
- intangible assets	(2,954)	(4,636)
- property, plant and equipment	<u>(90,831)</u>	<u>(44,494)</u>
Net cash used in investing activities	<u>(86,529)</u>	<u>(44,648)</u>
Cash flows from financing activity		
Purchase of shares in a subsidiary for ESS	-	(5,675)
Net cash used in financing activity	<u>-</u>	<u>(5,675)</u>
Net (decrease)/increase in cash and cash equivalents	(44,022)	24,493
Effect of foreign exchange rate changes	733	2,329
Cash and cash equivalents at beginning	<u>490,870</u>	<u>421,225</u>
Cash and cash equivalents at end	<u>447,581</u>	<u>448,047</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 2023.

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

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

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 June 2024 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 2023.

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 2023, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) that are effective for annual periods beginning on or after 1 January 2024:

Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback

Amendments to MFRS 101 Presentation of Financial Statements: Non-current Liabilities with Covenants

Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosure – Supplier Finance Arrangements

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 121 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability¹

Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments²

MFRS 18 Presentation and Disclosure in Financial Statements³

MFRS 19 Subsidiaries without Public Accountability: Disclosures³

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 Venture⁴

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

² *Effective for annual periods beginning on or after 1 January 2026*

³ *Effective for annual periods beginning on or after 1 January 2027*

⁴ *Effective date not yet determined*

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

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

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.

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 2023 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 2023 up to 30 June 2024.

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

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

9 Capital Commitments

	Amount (RM'000)
Contracted but not provided for - Property, plant and equipment	60,366
Authorised but not contracted for - Property, plant and equipment	18,758

10 Related Party Transactions

Transactions with a related party, a company in which a person connected to a director of the Company who has substantial financial interest, during the financial period ended 30 June 2024 are as follows:

Nature of transactions	Amount (RM'000)
Provision of hardware and system in integration solution	4,578
Licensing of software and provision of integration services	60

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”.

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

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

Results for the financial period ended 30 June 2024

	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	142,608	199,446	109		342,163
Inter-segment revenue	448	5,693	456	(6,597)	-
Total revenue	<u>143,056</u>	<u>205,139</u>	<u>565</u>		<u>342,163</u>
Results					
Segment results	11,421	57,158	(1,542)	(9,869)	57,168
Interest income	4,402	224	-	1,339	5,965
Share of loss of an associate	-	-	-	(252)	(252)
Profit/(Loss) before taxation	<u>15,823</u>	<u>57,382</u>	<u>(1,542)</u>		<u>62,881</u>
Taxation	(1,114)	181	(40)	(1)	(974)
Profit/(Loss) for the financial period	<u>14,709</u>	<u>57,563</u>	<u>(1,582)</u>		<u>61,907</u>

Results for the financial period ended 30 June 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	259,670	82,458	59		342,187
Inter-segment revenue	299	6,088	444	(6,831)	-
Total revenue	<u>259,969</u>	<u>88,546</u>	<u>503</u>		<u>342,187</u>
Results					
Segment results	66,438	9,309	(1,539)	(8,064)	66,144
Interest income	3,947	230	-	1,560	5,737
Share of profit of associates	-	-	-	727	727
Profit/(Loss) before taxation	<u>70,385</u>	<u>9,539</u>	<u>(1,539)</u>		<u>72,608</u>
Taxation	(1,951)	(20)	(31)	268	(1,734)
Profit/(Loss) for the financial period	<u>68,434</u>	<u>9,519</u>	<u>(1,570)</u>		<u>70,874</u>

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

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

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	(5,267)	(10,342)
Gain/(Loss) on foreign exchange:		
- realised	119	(7,196)
- unrealised	(996)	3,060
Loss from changes in fair value of foreign currency forward contracts	(602)	(1,093)
Interest income	2,587	5,965
Gain from changes in fair value of other investments	31	47
Gain from changes in fair value of short-term investments	319	319
Gain on disposal of property, plant and equipment	-	-
Loss on disposal of investment properties	(160)	(160)
Property, plant and equipment written off	-	-
Intangible assets written off	-	-
Inventory written down - addition	(2,240)	(3,230)
Inventory written down - reversal	72	152
Reversal for ECL on receivables, net	536	181
Bad debts written off	-	-

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		
	30/6/2024	30/6/2023	Variance	30/6/2024	30/6/2023	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	171,373	176,882	(3.1)	342,163	342,187	(0.0)
Operating profit	32,119	38,626	(16.8)	63,133	71,881	(12.2)
Profit before taxation	32,089	38,302	(16.2)	62,881	72,608	(13.4)
Profit for the financial period	31,620	37,209	(15.0)	61,907	70,874	(12.7)

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

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

The Group recorded a quarterly revenue of RM171.4 million in the 3-month ended 30 June 2024 (“2Q2024”) as compared to RM176.9 million registered in the 3-month ended 30 June 2023 (“2Q2023”), representing a drop of 3.1%. For the first half of 2024 (“1H2024”), the Group recorded revenue of RM342.2 million which was comparable with the first half of 2023 (“1H2023”), reflecting resilience in the Group’s operation.

The Group’s revenue was mainly contributed by the ATE and FAS segments, constituting approximately 40.7% and 59.3% respectively in 2Q2024.

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		
	30/6/2024	30/6/2023	Variance	30/6/2024	30/6/2023	Variance
	RM’000	RM’000	%	RM’000	RM’000	%
ATE	69,865	148,562	(53.0)	143,056	259,969	(45.0)
FAS	106,389	30,243	251.8	205,139	88,546	131.7
Smart control solution system	89	420	(78.8)	565	503	12.3

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

	Individual Quarter 3 Months Ended				Cumulative Financial Period Ended			
	30/6/2024		30/6/2023		30/6/2024		30/6/2023	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Medical devices	76,976	44.9	15,294	8.6	155,523	45.5	34,429	10.1
Automotive	51,408	30.0	106,627	60.3	95,291	27.8	196,711	57.5
Electro-Optical	24,654	14.4	22,806	12.9	53,026	15.5	42,003	12.3
Semiconductor	11,497	6.7	31,209	17.6	21,301	6.2	51,528	15.0
Consumer and industrial products	6,789	4.0	889	0.5	16,913	4.9	17,457	5.1
Others	49	n.m.	57	0.1	109	0.1	59	n.m.
Total	171,373		176,882		342,163		342,187	

The Group closed its 2Q2024 with a profit before taxation of RM32.1 million (2Q2023: RM38.3 million), representing a decrease of approximately 16.2% from last year’s corresponding period. The Group closed its first half of the year 2024 with a profit before taxation of RM62.9 million, a drop from a profit before taxation of RM72.6 million achieved in 1H2023. Accordingly, the Group’s EBITDA (earnings before interest, tax, depreciation and amortisation) for the 2Q2024 stood at RM37.4 million (2Q2023: RM42.8 million), representing a decrease of 12.7%, while the Group’s EBITDA for the 1H2024 stood at RM73.2 million (1H2023: RM80.6 million), representing a decrease of 9.2% from corresponding period last year respectively. Basic earnings per share decreased from 3.33 sen in 2Q2023 to 2.80 sen in 2Q2024 and decreased from 6.32 sen in 1H2023 to 5.52 sen in 1H2024.

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

COMPANY NO.: 200201004644 (572307-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

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 from this segment declined by approximately RM78.7 million from RM148.6 million in the previous corresponding quarter to RM69.9 million in 2Q2024 given the slower-than-expected demand recovery as a result of the macro-led conditions in the reporting quarter. Within the ATE segment, the Group’s automotive segment maintained the highest share of wallet contribution with its revenue contributing 67.6% to the overall ATE’s revenue in 2Q2024. However, revenue from this segment declined by 55.2% as compared to 2Q2023 due to the general softness in the automotive end market and the lack of clarity on subsidies for electric vehicle (“EV”) markets on a global scale.

Separately, the electro-optical industry showed improved momentum where this industry segment contributed 27.5% during 2Q2024 to ATE’s overall revenue, up from 8.0% in 2Q2023, marking an increase of 62.5%. This surge in revenue was mainly driven by the delivery of the Group’s flagship smart sensor test equipment for the upgraded version of the ambient light sensor.

Meanwhile, revenue contribution from the semiconductor industry stood at approximately 4.4% within the ATE segment, demonstrating a pronounced decline from 21.0% achieved in 2Q2023 characterised by industry’s cyclical nature.

Profit before taxation in the ATE segment overall fell by 90.2% from RM42.6 million achieved in 2Q2023 to RM4.2 million for 2Q2024, mainly due to lower sales volume, increased employee expenses, provisions for slow-moving inventories, and research and development expenditures for certain projects undertaken in the ATE segment.

Despite the challenges, the Group remained actively engaged with its customers particularly in the automotive sector, where the Group is supported by its broad, up-to-trend portfolio of automotive test solutions, with the latest being the Group’s Known Good Die (KGD) test solution for Die-Level Testing methodology. Overall, the Group remains optimistic about the recovery and prospects of its ATE segment attributed to the Group’s diversified portfolio and segments coverage. This optimism is underpinned by the long-term structural trends of automotive electrification, the growing influence of artificial intelligence, the expanding Internet of Things landscape and the evolving trends in opto-electronic devices as the consumer electronics end-market became more complex with devices’ requirement for high-performance computing gaining mainstream adoption. These trends are expected to provide substantial support and opportunities for growth within the ATE segment in the coming periods.

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2) Factory automation solutions

In 2Q2024, revenue from the FAS segment continued its upward trajectory by growing 251.8% to reach RM106.4 million as compared to RM30.2 million in 2Q2023, setting yet another record for quarterly revenue in this business segment. Notably, the FAS segment gained its revenue momentum from the medical devices segment which experienced a remarkable increase in its contribution rate from 53.9% in 2Q2023 to 75.8% in 2Q2024, representing an exponential growth of this industry within the FAS business segment.

The prominence of the medical devices segment is particularly noteworthy with its sustained demand and growth potential, fuelled by technological advancements and prevailing trends in manufacturing automation for enhanced operational efficiency and precision. Capitalising on this burgeoning trend, the Group has been strategically expanding its global customer base to broaden its market exposure while actively engaging with its existing and new customers within the medical segment for wider factory automation solutions. In 2Q2024, other industry segments contributing to the FAS segment were semiconductor segment and consumer and industrial products segment with each contributing approximately 8.3% and 6.4% respectively.

The FAS segment’s profit before taxation grew significantly to RM33.8 million in 2Q2024 (2Q2023: RM0.7 million) mainly due to a substantial increase in revenue as well as the following factors:

- (i) favourable changes in product mix with better profit margin; and
- (ii) economies of scale achieved for projects undertaken.

In recent years, the industrial automation industry has undergone a rapid evolution for high-throughput manufacturing process that runs across various business segments particularly in the context of deglobalisation trends where companies are seeking to localise production to enhance resilience and reduce global supply chain dependency. Coupled with the overarching trends towards the integration of artificial intelligence (“AI”) in automation technology, industrial automation is setting the stage for continued advancements. Against this backdrop, the Group anticipates sustained growth in its FAS segment.

3) Smart control solution system

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

In 2Q2024, this segment recorded a revenue of RM89,000 (2Q2023: RM420,000), while its loss before taxation stood at RM1.0 million in 2Q2024 versus a loss before taxation of RM0.6 million in 2Q2023. The higher loss before taxation in 2Q2024 was the result of lower revenue achieved during the quarter.

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

	3 Months Ended 30/6/2024	3 Months Ended 31/3/2024	Variance
	RM'000	RM'000	%
Revenue	171,373	170,790	0.3
Operating profit	32,119	31,014	3.6
Profit before taxation	32,089	30,792	4.2
Profit for the financial period	31,620	30,287	4.4

In 2Q2024, the Group recorded a revenue of RM171.4 million as compared to a revenue of RM170.8 million recorded for the 3-month ended 31 March 2024 (“1Q2024”), representing a slight increase of 0.3%. Profit before taxation increased by 4.2% in 2Q2024 to RM32.1 million (1Q2024: RM30.8 million) due to the slight increase in sales and a lower net loss on foreign exchange in 2Q2024.

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

	3 Months Ended 30/6/2024	3 Months Ended 31/3/2024	Variance
	RM'000	RM'000	%
ATE	69,865	73,191	(4.5)
FAS	106,389	98,750	7.7
Smart control solution system	89	476	(81.3)

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

	3 Months Ended 30/6/2024		3 Months Ended 31/3/2024	
	RM'000	%	RM'000	%
Medical devices	76,976	44.9	78,547	46.0
Automotive	51,408	30.0	43,883	25.7
Electro-Optical	24,654	14.4	28,372	16.6
Semiconductor	11,497	6.7	9,804	5.8
Consumer and industrial products	6,789	4.0	10,124	5.9
Others	49	<i>n.m.</i>	60	<i>n.m.</i>
Total	171,373		170,790	

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Performance of the respective operating segments which includes inter-segment transactions in 2Q2024 as compared to 1Q2024 are analysed as follows:

1) Automated test equipment

In 2Q2024, revenue from the ATE segment decreased by RM3.3 million to RM69.9 million (1Q2024: RM73.2 million), representing a decline of 4.5%. The decrease was mainly due to lower project value that was delivered and recorded during the quarter.

Due to lower revenue coupled with provisions for slow-moving inventories and incurrance of research and development expenditures, the ATE segment recorded a lower profit before taxation of RM4.2 million in 2Q2024, representing a decline of 64.0% as compared to preceding quarter (1Q2024: RM11.6 million).

2) Factory automation solutions

The FAS segment recorded a 7.7% revenue growth in 2Q2024 as compared to preceding quarter, recording at RM106.4 million in 2Q2024 (1Q2024: RM98.8 million), driven by project delivery for the Group’s proprietary intelligent Automated Robotic Manufacturing System (“i-ARMS”) solutions that was fulfilled during the quarter.

Profit before taxation for the FAS segment in 2Q2024 increased by 43.0% to RM33.8 million as compared to the preceding quarter (1Q2024: RM23.6 million) as a result of higher revenue achieved coupled with favourable product mix and economies of scale achieved.

3) Smart control solution system

In 2Q2024, this segment recorded a revenue of RM89,000 (1Q2024: RM476,000) and recorded a higher loss before taxation in 2Q2024 at RM1.0 million as compared to preceding quarter (1Q2024: RM0.6 million).

16 Prospect

Reflecting on the first half of the year, the global economic recovery was slower than expected. This sluggish recovery prompted global manufacturers to adopt a more cautious approach to capital equipment spending across various sectors leading to a limited visibility in the Group’s near-term order book. Demand within the ATE segment remained subdued although there were early signs of stabilisation, notably within the automotive sector. In light of these conditions, the Group encountered contraction in its current order book during the period with the replenishment and recovery of orders taking longer than expected.

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Amid ongoing uncertainty, the Group continues to identify several growth drivers that have the potential to drive its business momentum going forward. These catalysts include, among others, advancements in AI, automotive electrification and medical manufacturing automation. The Group is particularly optimistic about the expanding role of AI in cloud and data centers as this trend is expected to create significant opportunities for the demand of the Group’s test equipment used in advanced semiconductor packaging. Furthermore, the increasing adoption of silicon carbide-based power solutions across various applications, particularly in data centers and high bandwidth memory (“HBM”) chipset is gaining momentum. This trend is expected to generate an uptick in demand for the Group’s wafer-level burn-in tester for silicon carbide, besides test handler solutions for advanced semiconductor packaging in Dynamic Random Access Memory (DRAM) as well as HBM. As it is, the global semiconductor industry is demonstrating its strong fundamentals and growth potential supporting the diverse range of disruptive applications emerging from the AI wave. As forecasted, the semiconductor test equipment are projected to rise 7.4% in 2024, while assembly and packaging equipment sales are predicted to increase 10.0% for the same period, and this momentum shall continue into 2025 due to increased demand for advanced logic and memory applications.

Despite the current market fluctuations and bipolarisation in the EV industry, the Group acknowledges the robust underlying structural foundation of the EV market supported by regulatory backing, expansion of charging infrastructure, industry investments in capital expenditure and increased consumer demand driven by environmental awareness and affordability. These ongoing developments are expected to sustain a considerable amount of business opportunities for the Group to navigate uncertainties and capitalise on emerging prospects.

The recent positioning of Chinese carmakers in setting up manufacturing and assembly plants outside of China presents significant growth opportunities for the Group to expand its customer base and enhance its presence across different automotive sector regions. This development is particularly promising, particularly in Europe where currently this region accounts for less than 10.0% of the Group’s total revenue, indicating a substantial untapped market potential for the Group with its Germany office presence. By capitalising on this trend, the Group can broaden its market reach, establish stronger relationships with new customers and significantly increase its revenue from the European market, thereby further solidifying its position in the global automotive industry.

Riding on the prevalence of automation in medical technology for enhanced productivity and efficiency, the Group, leveraging its proprietary i-ARMS, has been experiencing year-on-year revenue growth in the medical device industry. Recently, the Group has also observed increased momentum in the integration of automation with renewable energy. Solar manufacturers are increasingly adopting automation technology to streamline its solar manufacturing process, scale capacity and boost operational effectiveness while improving solar energy sustainability. In this context, the Group has received some orders from this industry and is committed to actively supporting the expansion of automation process applicable in the solar energy market.

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Although the Group expects a challenging business environment in the second half of the year, it remains steadfast in its commitment to demonstrating resilience and agility in navigating this complex landscape. As it is, the Group’s primary focus is to ensure its core businesses remain robust and adaptable in the face of these challenges while continuing to pursue business diversification to explore new opportunities within its established markets. Through these comprehensive efforts, the Group is determined to sustain growth and maintain stability to weather the challenging conditions ahead.

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	(469)	(974)
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.

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 eight (8) years ⁽³⁾	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	5,000	Within eight (8) years ⁽³⁾	27,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	28,648	Within eight (8) years ⁽³⁾	-
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	59,359		27,741

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.

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22 Borrowings

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

23 Derivative Financial Instruments

As at the date of the statement of financial position 30 June 2024, 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	157,283	(542)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 June 2024, 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 June 2024, 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 June 2024.

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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 30/6/2024 RM'000	3 Months Ended 30/6/2023 RM'000	6 Months Ended 30/6/2024 RM'000	6 Months Ended 30/6/2023 RM'000
Profit attributable to owners of the Company	19,899	23,654	39,275	44,928
Weighted average number of ordinary shares	711,317,121	711,317,121	711,317,121	711,317,121
Earnings per share attributable to owners of the Company (sen)	2.80	3.33	5.52	6.32

BY ORDER OF THE BOARD

KONG SOWN KAEY

Secretary

1 August 2024