

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 AND SIX MONTHS ENDED 30 JUNE 2022**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Period Ended	
	30/6/2022 (Unaudited) RM'000	30/6/2021 (Unaudited) RM'000	30/6/2022 (Unaudited) RM'000	30/6/2021 (Unaudited) RM'000
Revenue	151,343	130,646	297,366	245,814
Cost of goods sold	(104,871)	(92,787)	(207,056)	(173,617)
Gross profit	<u>46,472</u>	<u>37,859</u>	<u>90,310</u>	<u>72,197</u>
Other income	7,372	3,146	11,359	13,815
Administrative expenses	(20,344)	(7,966)	(31,150)	(23,062)
Distribution costs	(1,985)	(2,637)	(5,273)	(5,742)
Other operating expenses	(95)	(32)	(274)	(114)
Operating profit	<u>31,420</u>	<u>30,370</u>	<u>64,972</u>	<u>57,094</u>
Finance costs	(20)	(23)	(41)	(47)
Share of loss of associates	(246)	(428)	(460)	(553)
Profit before taxation	<u>31,154</u>	<u>29,919</u>	<u>64,471</u>	<u>56,494</u>
Taxation	(718)	(1,215)	(1,662)	(1,936)
Profit for the financial period	<u>30,436</u>	<u>28,704</u>	<u>62,809</u>	<u>54,558</u>
Total other comprehensive income, net of tax: Item that will be reclassified subsequently to profit or loss				
Foreign currency translation of foreign operations	(25)	-	(26)	-
Total comprehensive income for the financial period	<u>30,411</u>	<u>28,704</u>	<u>62,783</u>	<u>54,558</u>
Profit for the financial period, attributable to :				
Owners of the Company	19,204	17,939	39,601	34,011
Non-controlling interests	11,232	10,765	23,208	20,547
	<u>30,436</u>	<u>28,704</u>	<u>62,809</u>	<u>54,558</u>
Profit and total comprehensive income for the financial period, attributable to:				
Owners of the Company	19,188	17,939	39,584	34,011
Non-controlling interests	11,223	10,765	23,199	20,547
	<u>30,411</u>	<u>28,704</u>	<u>62,783</u>	<u>54,558</u>
Earnings per share attributable to owners of the Company (sen) :				
- Basic and diluted	2.70	2.52	5.56	4.77

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 30 JUNE 2022

	Unaudited As at 30/6/2022 RM'000	Audited As at 31/12/2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	142,418	135,232
Investment properties	22,927	19,467
Goodwill	4,495	4,495
Intangible assets	44,243	41,475
Investment in associates	21,246	21,706
Deferred tax assets	221	221
Other receivables, deposits and prepayments	28,833	28,225
	<u>264,383</u>	<u>250,821</u>
Current assets		
Inventories	116,089	72,006
Trade receivables	236,361	165,312
Other receivables, deposits and prepayments	39,511	16,065
Derivative financial assets	-	1,246
Other investments	1,503	374
Tax recoverable	482	449
Cash and cash equivalents	431,396	478,241
	<u>825,342</u>	<u>733,693</u>
TOTAL ASSETS	<u><u>1,089,725</u></u>	<u><u>984,514</u></u>
EQUITY AND LIABILITIES		
Share capital	79,303	79,303
Reserves	502,298	486,452
	<u>581,601</u>	<u>565,755</u>
Non-controlling interests	<u>239,701</u>	<u>229,864</u>
Total Equity	<u>821,302</u>	<u>795,619</u>
LIABILITIES		
Non-current liabilities		
Borrowings	1,922	2,140
Deferred tax liabilities	4,031	4,299
	<u>5,953</u>	<u>6,439</u>
Current liabilities		
Trade payables	123,020	77,560
Other payables, accruals and provision	39,374	39,375
Contract liabilities	64,391	64,152
Dividend payable	23,939	-
Derivative financial liabilities	10,326	-
Borrowings	432	425
Provision for taxation	988	944
	<u>262,470</u>	<u>182,456</u>
Total Liabilities	<u>268,423</u>	<u>188,895</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,089,725</u></u>	<u><u>984,514</u></u>

The unaudited condensed consolidated statement of financial position as at 30 June 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 SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	-	39,601	39,601	23,208	62,809
Other comprehensive income	-	-	-	-	(17)	-	(17)	(9)	(26)
Total comprehensive income for the financial period	-	-	-	-	(17)	39,601	39,584	23,199	62,783
<i>Transactions with owners:</i>									
Dividend paid	-	-	-	-	-	(14,227)	(14,227)	-	(14,227)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(9,712)	(9,712)
Effect of changes in shareholding	-	-	-	-	-	3,650	3,650	(3,650)	-
Purchase of shares held for ESS	-	-	(12,715)	-	-	-	(12,715)	-	(12,715)
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)	(9,337)	(572)	-	(10,777)	(23,738)	(13,362)	(37,100)
As at 30 June 2022 (Unaudited)	79,303	(3,052)	(13,606)	1,694	19	517,243	581,601	239,701	821,302

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	-	-	-	-	-	34,011	34,011	20,547	54,558
Dividend paid	-	-	-	-	-	(10,685)	(10,685)	-	(10,685)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(6,271)	(6,271)
Effect of changes in shareholding	-	-	-	-	-	(827)	(827)	827	-
Purchase of shares held for ESS	-	-	(1,090)	-	-	-	(1,090)	-	(1,090)
Equity settled ESS expenses	-	-	-	3,331	-	-	3,331	-	3,331
ESS vested	-	-	3,781	(3,331)	-	(450)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	2,691	-	-	(11,962)	(9,271)	(5,444)	(14,715)
As at 30 June 2021 (Unaudited)	79,303	-	(3,158)	-	-	457,021	533,166	211,981	745,147

The unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 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 SIX MONTHS ENDED 30 JUNE 2022

	6 Months ended 30/6/2022 (Unaudited) RM'000	6 Months ended 30/6/2021 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	64,471	56,494
Adjustments for:		
Amortisation of intangible assets	2,493	2,583
Deferred income released	-	(1,720)
Depreciation	2,522	2,095
(Gain) / loss on disposal of property, plant and equipment	(58)	1,667
Expected credit loss on receivables	(250)	216
Interest expense	41	47
Interest income	(3,061)	(3,224)
Loss from changes in fair value of foreign currency forward contracts	11,572	4,666
Gain on disposal of other investments	(15)	(39)
Loss from changes in fair value of other investments	42	27
Inventory written downs - addition	103	195
Inventory written downs - reversal	(104)	(185)
Share of results of associates	460	553
ESS expenses	2,606	3,331
Unrealised gain on foreign exchange	(7,430)	(5,504)
Operating profit before working capital changes	<u>73,392</u>	<u>61,202</u>
Increase in inventories	(44,082)	(24,633)
Increase in receivables	(90,432)	(4,265)
Increase in payables	46,362	12,949
Increase in contract liabilities	239	5,487
Cash (used in) / generated from operations	<u>(14,521)</u>	<u>50,740</u>
Interest paid	(41)	(47)
Tax paid	(2,161)	(1,367)
Tax refund	241	1
Net cash (used in) / generated from operating activities	<u>(16,482)</u>	<u>49,327</u>
Cash flows from investing activities		
Interest received	3,061	3,224
Acquisition of redeemable convertible preference shares of an associate	-	(15,000)
Purchase of property, plant and equipment	(9,584)	(1,772)
Purchase of investment property	(3,583)	-
Purchase of intangible assets	(5,266)	(2,531)
Proceeds from disposal of other investments	292	180
Acquisition of other investments	(1,443)	(398)
Proceeds from disposal of shares in associate	-	66
Net cash used in investing activities	<u>(16,523)</u>	<u>(16,231)</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	6 Months ended 30/6/2022 (Unaudited) RM'000	6 Months ended 30/6/2021 (Unaudited) RM'000
Cash flows from financing activities		
Repayment of term loan	(211)	(204)
Purchase of treasury shares	(3,052)	-
Purchase of shares for share award scheme	(12,715)	(1,090)
Net cash used in financing activities	<u>(15,978)</u>	<u>(1,294)</u>
Net (decrease) / increase in cash and cash equivalents	(48,983)	31,802
Effect of foreign exchange rate changes	2,138	976
Cash and cash equivalents at the beginning of the period	478,241	437,321
Cash and cash equivalents at the end of the period	<u>431,396</u>	<u>470,099</u>

The unaudited condensed consolidated statement of cash flows for the six months ended 30 June 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 30 June 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 30 June 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)
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Notes To The Interim Financial Report For Period ended 30 June 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.

8 Contingent Liabilities

There were no contingent liabilities for the Group since 31 December 2021 up to 30 June 2022.

9 Capital Commitments

	Amount (RM'000)
Contracted but not provided for - Property, plant and equipment	16,064
Authorised but not contracted for - Property, plant and equipment	154,311

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 30 June 2022

10 Related Party Transaction

There was no related party transaction for the Group since 31 December 2021 up to 30 June 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 30 June 2022

Results for the period ended 30 June 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	224,346	72,987	33		297,366
Inter-segment revenue	39,810	3,267	70	(43,147)	-
Total revenue	264,156	76,254	103		297,366
Results					
Segment results	57,413	10,158	(1,600)	(4,060)	61,911
Interest income	2,025	143		893	3,061
Interest expense	(41)	-	-		(41)
Share of results of associates	-	-	-	(460)	(460)
Profit/(loss) before taxation	59,397	10,301	(1,600)		64,471
Taxation	(1,926)	(5)	-	269	(1,662)
Profit/(loss) after taxation	57,471	10,296	(1,600)		62,809

Results for the period ended 30 June 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	176,770	68,840	204	-	245,814
Inter-segment revenue	875	1,913	38	(2,826)	-
Total revenue	177,645	70,753	242		245,814
Results					
Segment results	51,839	5,884	(1,618)	(2,235)	53,870
Interest income	1,921	91		1,212	3,224
Interest expense	(47)	-	-		(47)
Share of results of associates	-	-	-	(553)	(553)
Profit/(loss) before taxation	53,713	5,975	(1,618)		56,494
Taxation	(2,195)	(9)	-	268	(1,936)
Profit/(loss) after taxation	51,518	5,966	(1,618)		54,558

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Period ended 30 June 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	(2,538)	(5,015)
Amortisation of deferred income	-	-
Gain/(loss) on foreign exchange:		
-realised	(946)	(219)
-unrealised	6,405	7,430
Loss from changes in fair value of foreign currency forward contracts	(12,008)	(11,572)
Gain on disposal of other investments	11	15
Interest income	1,464	3,061
Interest expense	(20)	(41)
Loss from changes in fair value of other investments	(29)	(42)
Gain on disposal of property, plant and equipment	12	58
Property, plant and equipment written off	-	-
Intangible assets written off	-	-
Investment income	-	-
Inventory written downs-addition	(31)	(103)
Inventory written downs-reversal	48	104
Reversal on expected credit loss provision on receivables	250	250
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 except for the following:

- (i) On 4 July 2022, the Company announced that Pentamaster InnoTeq Sdn. Bhd. (“PISB”), a wholly owned subsidiary of PCB, has on that date, subscribed for 16,614,507 new fully paid up ordinary shares in Everready Precision Industrial Corp, Taiwan, Republic of China (“EPIC”) (“EPIC Shares”) representing 29.9% of the enlarged equity interest in EPIC (“Proposed Subscription”) for a total consideration of United States Dollar Six Million Seven Hundred Seventy Six Thousand Seven Hundred and Thirty Three (USD6,776,733) only (approximately equivalent to Ringgit Malaysia Twenty Nine Million Eight Hundred Eighty Five Thousand Three Hundred Ninety Three (RM29,885,393) at an exchange rate of USD1 : RM4.4100). The completion of the Proposed Subscription is pending the approval of the Kaohsiung Nanzih Technology Industrial Park in Taiwan and the allotment of the new EPIC shares to PISB.

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- (ii) On 8 July 2022, the Company announced that PISB had on the same date entered into a Share Investment Agreement (the “Agreement”) to subscribe for 225,451 new fully paid up ordinary shares (“Shares”) representing 6.8% of the total enlarged issued and paid-up capital in Pingspace Sdn. Bhd. (“Pingspace”) (the “Proposed Pingspace Investment”) for a total cash consideration of Ringgit Malaysia Five Million (RM5,000,000) only. The completion of the Proposed Pingspace Investment is pending the allotment of the new Shares to PISB.

Chuah Choon Bin, a Director and major shareholder of PCB, is deemed interested in the Proposed Investment as Chuah Di Ken, the sole director and shareholder of Pingspace is his son. Chuah Choon Bin has no interest, direct or indirect, in the shareholding of Pingspace.

- (iii) On 8 July 2022, the Company announced that PISB had on 7 July 2022 formalized the investment of up to United States Dollar One Million (USD1,000,000) only (equivalent to approximately Ringgit Malaysia Four Million Four Hundred Twenty Eight Thousand (RM4,428,000.00) at an exchange rate of USD1 : RM4.4280) over the period of four years in Wisdom Capital Limited Partnership (the “Partnership”), a Taiwan-based Global DeepTech-Semiconductor Fund (the “Fund”) in Taiwan and across the world (“Proposed Fund Investment”). The Company was notified of the Proposed Fund Investment clearance from the relevant authorities in Taiwan and the Partnership for the remittance of the 1st tranche of investment of United States Dollar Two Hundred Fifty Four Thousand (USD254,000) only on 7 July 2022. PISB will remit further tranche(s) for investment, up to the limit of USD1,000,000, as and when suitable investment(s) are identified by the Fund.

14 Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Financial Period Ended		
	30/6/2022	30/6/2021	Variance	30/6/2022	30/6/2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	151,343	130,646	15.8	297,366	245,814	21.0
Operating profit	31,420	30,370	3.5	64,972	57,094	13.8
Profit before taxation	31,154	29,919	4.1	64,471	56,494	14.1
Profit for the period	30,436	28,704	6.0	62,809	54,558	15.1

The Group recorded a quarterly revenue of RM151.3 million in the 3-month ended 30 June 2022 (“2Q2022”) as compared to RM130.6 million registered in the 3-month ended 30 June 2021 (“2Q2021”), representing an increase of 15.8%. For the first half of 2022 (“1H2022”), the Group recorded a higher revenue of RM297.4 million as compared to RM245.8 million in the first half of 2021 (“1H2021”), representing an increase of 21.0%.

The Group’s revenue was contributed mainly by the ATE and FAS segments, with each constituting approximately 72.7% and 27.3% respectively of the Group’s total revenue in the current quarter.

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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		
	30/6/2022	30/6/2021	Variance	30/6/2022	30/6/2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
ATE	133,623	96,928	37.9	264,156	177,645	48.7
FAS	42,518	35,279	20.5	76,254	70,753	7.8
Smart control solution system	70	133	-47.4	103	242	-57.4

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

	Individual Quarter 3 Months Ended				Cumulative Financial Period Ended			
	30/6/2022		30/6/2021		30/6/2022		30/6/2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automotive	50,575	33.4	14,582	11.2	103,008	34.6	25,930	10.5
Electro-Optical	37,414	24.7	73,000	55.8	81,642	27.5	138,243	56.2
Semiconductor	35,804	23.7	23,896	18.3	54,155	18.2	43,057	17.5
Consumer and industrial products	14,464	9.6	7,602	5.8	34,353	11.6	23,977	9.8
Medical devices	13,086	8.6	11,471	8.8	24,175	8.1	14,403	5.9
Others	-	-	95	0.1	33	n.m.	204	0.1
Total	151,343		130,646		297,366		245,814	

The Group closed its 2Q2022 with a profit before taxation of RM31.2 million (2Q2021: RM29.9 million), representing an increase of approximately 4.1%. The Group closed its first half of the year 2022 with a profit before taxation of RM64.5 million, representing an increase of 14.1% from a profit before taxation of RM56.5 million recorded in 1H2021. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for the 2Q2022 stood at RM33.7 million (2Q2021: RM32.2 million), representing an increase of 4.6%, while the Group's EBITDA for the 1H2022 stood at RM69.5 million (1H2021: RM61.2 million), representing an increase of 13.6%. Basic earnings per share increased from 2.52 sen in 2Q2021 to 2.70 sen in 2Q2022 and increased from 4.77 sen in 1H2021 to 5.56 sen in 1H2022.

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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

The ATE segment continued to contribute the larger portion of revenue and profit to the Group’s results for the first half of 2022 at a revenue contribution rate of 75.4%. After witnessing an increase in revenue in 2021, this segment continued to record a substantial growth in revenue by 37.9% from RM96.9 million in 2Q2021 to RM133.6 million in 2Q2022 resulting to an overall increase of 48.7% in the first half of 2022 to RM264.2 million (1H2021: RM177.6 million). Riding on the global momentum for automotive electrification, the automotive industry continued to dominate the ATE segment with its revenue contribution of approximately 44.6%, a phenomenon witnessed since beginning of 2022. Influenced predominantly by the mass adoption of electric vehicle, the automotive market continued to be a standout. The Group benefitted by this structural shift with its automotive test solutions that covers front-end tester for new compound substrate such as silicon carbide (“SiC”) and gallium nitride (“GaN”) to back end solutions for power electronics devices such as IGBT (insulated-gate bipolar transistor) and power MOSFET (metal-oxide-semiconductor field-effect transistor). Generally, the automotive sector will continue to play a significant role in fueling the growth of the Group’s ATE segment. With the extensive applications of SiC and GaN coupled with China joining the bandwagon in building the supply chain revolving around SiC, such proliferation and development will continue to provide impetus to the Group’s exposure in the automotive industry.

Revenue contribution from the electro-optical industry came in as the second highest within the ATE segment with its contribution rate of 26.7% while the semiconductor industry contributed approximately 24.0% to the ATE segment of the Group. In 1H2022, while revenue from the electro-optical segment mainly derived from the module upgrade of the Group’s existing smart device test solutions, the Group is working on certain prototype projects for new sensors application in the next-generation smartphone and its peripherals.

On the other hand, the semiconductor industry is cyclical and trends of inventory building and correction are part of the cycle. While some inventory correction is taking place, the industry backdrop suggests some signs of growth tailwinds driven by the increasing semiconductor content in multiple industries and the evolvement of conventional chip to intelligent chip with more complexity and functionality. Against this backdrop, the Group is well positioned to embrace the new opportunities presented in the ATE segment.

The Group experienced a slight decrease in the profit before taxation by 4.2% from RM28.0 million in 2Q2021 to RM26.8 million in 2Q2022, mainly due to changes in product mix. On the other hand, for the first half of 2022, the Group profit before taxation increased by 10.6% from RM53.7 million in 1H2021 to RM59.4 million in 1H2022 owing to a relatively higher revenue mix contribution from the automotive segment in 1H2022 where margin from this segment was generally higher. However, to a certain extent, these positive margin developments were partially offset by the ongoing cost pressures from key component shortages and rise in direct and indirect labor cost.

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2) Factory automation solutions

After experiencing a drop in revenue in the first quarter of 2022, the FAS segment recorded a double-digit revenue growth at 20.5% during the second quarter of 2022 as compared to the corresponding quarter in 2021. Consequently, the overall revenue from the FAS segment in 1H2022 increased by approximately 7.8% to RM76.3 million from RM70.8 million in 1H2021. Notably, the FAS segment gained its revenue momentum from the consumer and industrial products segment which was dominating the FAS segment with its contribution rate of 46.2% in 1H2022. In terms of its revenue growth, the consumer and industrial products segment grew substantially by 63.1% in 1H2022 as compared to 1H2021. Revenue contribution from the electro-optical segment and medical devices segment each contributed 29.8% and 19.4% respectively to the FAS segment.

Generally, the demand for the Group’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing System) across various segments has positively contributed to the FAS segment in a sustainable manner. With the growing emphasis on industrial automation and smart manufacturing combined with digital transformation and the growth of data analytics, such trend and revolution which are crowned as the backbone of Industry 4.0, are seen being adopted across many businesses in a massive way. Adding further to the pressure are factors such as the shortage of skilled labour, rising wage costs and stringent health and safety requirements, many manufacturing facilities and operations have stepped up its effort in shifting towards factory automation for speed, flexibility, efficiency, productivity and precision.

Owing to an increase in the revenue product mix with better profit margin, the FAS segment recorded a higher profit before taxation by 78.8% to RM6.7 million in 2Q2022 (2Q2021: RM3.8 million) and 72.4% to RM10.3 million in 1H2022 (1H2021: RM6.0 million).

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 RM70,000 in 2Q2022 (2Q2021: RM0.1 million) and RM0.1 million in 1H2022 (1H2021: RM0.2 million).

This segment achieved a higher loss before taxation at RM0.8 million in 2Q2022 (2Q2021: RM0.7 million) due to higher overhead cost while the loss before taxation in 1H2022 and 1H2021 remained the same at RM1.6 million.

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

	3 Months Ended	3 Months Ended	Variance
	30/6/2022	31/3/2022	
	RM'000	RM'000	%
Revenue	151,343	146,023	3.6
Operating profit	31,420	33,552	-6.4
Profit before taxation	31,154	33,317	-6.5
Profit for the period	30,436	32,373	-6.0

In 2Q2022, the Group recorded a higher revenue at RM151.3 million as compared to the revenue of RM146.0 million for the 3-month ended 31 March 2022 (“1Q2022”), representing an increase of 3.6%. The increase in 2Q2022 revenue was mainly due to increase in contribution from the FAS business segment by 26.0% which was largely driven by the demand from the medical devices segment within the FAS 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
	30/6/2022	31/3/2022	
	RM'000	RM'000	%
ATE	133,623	130,533	2.4
FAS	42,518	33,736	26.0
Smart control solution system	70	33	112.1

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

	3 Months Ended		3 Months Ended	
	30/6/2022		31/3/2022	
	RM'000	%	RM'000	%
Automotive	50,575	33.4	52,433	35.9
Electro-Optical	37,414	24.7	44,228	30.3
Semiconductor	35,804	23.7	18,351	12.6
Consumer and industrial products	14,464	9.6	19,889	13.6
Medical devices	13,086	8.6	11,089	7.6
Others	-	-	33	<i>n.m.</i>
Total	151,343		146,023	

The profit before taxation recorded a decrease of 6.5% in 2Q2022 to RM31.2 million (1Q2022: RM33.3 million) where it was mainly due to the ongoing cost pressures from key component shortages and rise in direct and indirect labor cost.

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Performance of the respective operating segments which includes inter-segment transactions in 2Q2022 as compared to 1Q2022 are analysed as follows:

1) Automated test equipment

In 2Q2022, revenue from the ATE segment increased by RM3.1 million to RM133.6 million (1Q2022: RM130.5 million), representing an increase of 2.4%. The increase was mainly due to higher project delivery from the semiconductor segment which was driven by the increasing semiconductor content in multiple industries and the evolvement of conventional chip to intelligent chip with more complexity and functionality.

The ATE segment recorded a lower profit before taxation by 17.5% to RM26.8 million in 2Q2022 (1Q2022: RM32.6 million) mainly due to cost pressures from the rise in direct and indirect labor cost.

2) Factory automation solutions

The FAS segment recorded an increase in revenue to RM42.5 million in 2Q2022 (1Q2022: RM33.7 million), representing an increase of 26.0% as a result of the project delivery from the medical devices segment.

In tandem with the increase in revenue and favorable changes in its product mix, the FAS segment witnessed an increase in profit before taxation to RM6.7 million (1Q2022: RM3.6 million).

3) Smart control solution system

The smart controls solution system segment recorded a higher revenue in 2Q2022 amounting to RM70,000 (1Q2022: RM33,000), owing to higher number of projects delivered in 2Q2022.

The smart controls solution system recorded similar quantum of loss before taxation of RM0.8 million in 2Q2022 and 1Q2022.

16 Prospect

Like many others in the industry, the Group faced multiple challenges post COVID-19 pandemic and with the current geopolitical tensions and inflationary situation, the supply chain operation has been a key factor in the Group's operation. The Group acknowledges the importance of being vigilant and reactive in its supply chain planning to ensure agility in this highly evolving situation. While the supply chain state of affairs has improved somewhat versus two years ago, the Group is fortunate that it has the ability to adapt to its inventory stock up approach on the back of its strong level of operating cash built over the years.

As the Group embraces the second half of 2022, the Group believes it is entering a period of encouraging growth on the back of its strong order fulfillment in tandem with its key segments focus that is largely driven by the wave of the underlying major global trends. The Group continues to witness such structural shift in the rapid adoption of technology and intelligence across different segments in the global industries. Ranging

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from automotive and communication to industrial and consumer electronic markets, the ubiquity of semiconductors and fast intelligence microprocessors coupled with the application of optics and photonics have provided the Group the optimism for its sustainable long term prospects.

The Group remains steadfast in its focus in diversifying its geographical presence, products and solutions as well as across different business segments in keeping with its high growth and margin over the long term horizon. Case in point – the Group’s rapid transition to the automotive segment saw growing revenue and encouraging order book volume where such momentum was generally fueled by the emergence of electric vehicles, whose influence extends far beyond the automotive industry. This evolution, along with other development such as self-driving technologies entails huge opportunity for the Group. Following this trend and given the Group’s comprehensive product portfolio within the segment that covers end-to-end solutions, the Group is ready to reinforce its growth path in the automotive industry.

As part of the Group’s geographical diversification approach, the initiation and commitment in establishing its presence outside of Malaysia are a testament of having a deep and strong foothold expansion in key region that serves as important key markets for its business segments. The recent establishment of Pentamaster Technology (Jiangsu) Limited and Pentamaster Automation (Japan) Co., Ltd, have since led to revenue from China and Japan showing signs of growing traction. Currently, both China and Japan are in the Group’s top five markets. As it is, the Group has set its eyes on Germany for its next geographical expansion with Germany being a main market in automotive industry. By next year, Indonesia and the Middle East will be the Group’s next target for its factory automation and single use medical devices, respectively.

In the immediate term, besides the supply chain operation, the Group’s current important focus is to build and maintain a stable workforce while retaining key talent. The Group acknowledged that the ongoing talent shortage would worsen with the establishment of multinational companies in Malaysia and the operation expansion of existing semiconductor players in the market. It is therefore imperative for the Group to evaluate its current workforce’s needs in meeting its business objectives and strategies. This evaluation, which includes constructing a career development road map for career progression and reskilling the workforce to stay competitive besides making adjustments to the remuneration package, are of importance for the Group in its growth trajectory.

Overall, the Group is optimistic on achieving another record year in 2022, while mindful of the current headwinds in derailing its delivery order on hand according to the scheduled timeline. Over the long run, the Group’s growth initiatives are guided by its “Grand Roadmap & Key Focus 2022-2025”, which aims towards achieving a solid and sustainable business growth through the implementation of its various core strategies that includes product innovation, expansion and diversification, segmental and geographical diversification, supply chain ecosystem development as well as capacity and capabilities building.

17 Profit Forecast or Profit Guarantee

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

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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	(718)	(1,662)
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 other than as stated in Note 13.

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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	26,129	Within five (5) years	2,519
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	51,840		35,260

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	432
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	-
Term loan	1,922
Total	2,354

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 30 June 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	277,776	(10,326)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 June 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 30 June 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 30 June 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 30/6/2022 RM'000	3 Months Ended 30/6/2021 RM'000	6 Months Ended 30/6/2022 RM'000	6 Months Ended 30/6/2021 RM'000
Profit and total comprehensive income attributable to owners of the Company	19,204	17,939	39,601	34,011
Weighted average number of ordinary shares	711,690,144	712,317,121	711,690,144	712,317,121
Earnings per share attributable to owners of the Company (sen)	2.70	2.52	5.56	4.77

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
11 August 2022