

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 ENDED 31 MARCH 2023**

	Individual Quarter		Cumulative Year	
	3 Months Ended	3 Months Ended	Financial Period Ended	Financial Period Ended
	31/3/2023	31/3/2022	31/3/2023	31/3/2022
	RM'000	RM'000	RM'000	RM'000
Revenue	165,305	146,023	165,305	146,023
Cost of goods sold	(118,594)	(102,185)	(118,594)	(102,185)
Gross profit	<u>46,711</u>	<u>43,838</u>	<u>46,711</u>	<u>43,838</u>
Other income	8,832	4,423	8,832	4,423
Distribution costs	(2,111)	(3,288)	(2,111)	(3,288)
Administrative expenses	(20,077)	(11,242)	(20,077)	(11,242)
Other operating expenses	(100)	(179)	(100)	(179)
Operating profit	<u>33,255</u>	<u>33,552</u>	<u>33,255</u>	<u>33,552</u>
Finance costs	-	(21)	-	(21)
Share of loss of associates	1,051	(214)	1,051	(214)
Profit before taxation	<u>34,306</u>	<u>33,317</u>	<u>34,306</u>	<u>33,317</u>
Taxation	(641)	(944)	(641)	(944)
Profit for the financial period	<u>33,665</u>	<u>32,373</u>	<u>33,665</u>	<u>32,373</u>
Total other comprehensive income, net of tax: Item that will be reclassified subsequently to profit or loss				
Foreign currency translation of foreign operations	12	(1)	12	(1)
Total comprehensive income for the financial period	<u>33,677</u>	<u>32,372</u>	<u>33,677</u>	<u>32,372</u>
Profit for the financial period, attributable to:				
Owners of the Company	21,274	20,397	21,274	20,397
Non-controlling interests	12,391	11,976	12,391	11,976
	<u>33,665</u>	<u>32,373</u>	<u>33,665</u>	<u>32,373</u>
Total comprehensive income for the financial period, attributable to:				
Owners of the Company	21,282	20,396	21,282	20,396
Non-controlling interests	12,395	11,976	12,395	11,976
	<u>33,677</u>	<u>32,372</u>	<u>33,677</u>	<u>32,372</u>
Earnings per share attributable to owners of the Company (Sen):				
- Basic/Diluted	2.99	2.86	2.99	2.86

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 31 MARCH 2023

	Unaudited As at 31/3/2023 RM'000	Audited As at 31/12/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	186,123	170,009
Investment properties	22,744	22,805
Goodwill	4,495	4,495
Intangible assets	41,130	40,682
Investment in associates	21,121	20,070
Other investments	6,117	6,117
	<u>281,730</u>	<u>264,178</u>
Current assets		
Inventories	188,907	170,934
Trade receivables	234,549	237,926
Other receivables, deposits and prepayments	71,636	60,407
Derivative financial assets	741	489
Other investments	159	219
Tax recoverable	2,321	2,791
Cash and cash equivalents	395,089	421,225
	<u>893,402</u>	<u>893,991</u>
TOTAL ASSETS	<u>1,175,132</u>	<u>1,158,169</u>
EQUITY AND LIABILITIES		
Share capital	79,303	79,303
Reserves	569,733	547,484
	<u>649,036</u>	<u>626,787</u>
Non-controlling interests	278,895	265,953
Total Equity	<u>927,931</u>	<u>892,740</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	3,628	3,762
	<u>3,628</u>	<u>3,762</u>
Current liabilities		
Trade payables	121,802	121,528
Other payables, accruals and provision	25,884	31,799
Contract liabilities	93,672	100,581
Derivative financial liabilities	1,355	6,847
Tax payable	860	912
	<u>243,573</u>	<u>261,667</u>
Total Liabilities	<u>247,201</u>	<u>265,429</u>
TOTAL EQUITY AND LIABILITIES	<u>1,175,132</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 THREE MONTHS ENDED 31 MARCH 2023**

	Attributable to Owners of the Company					Retained Profits	Total	Non-controlling Interests	Total Equity
	Non-distributable				Distributable				
	Share Capital	Treasury Shares	Shares held for Employee Share Scheme ("ESS")	ESS Reserve	Foreign Currency Translation Reserve				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	-	21,274	21,274	12,391	33,665
Other comprehensive income for the financial period	-	-	-	-	8	-	8	4	12
Total comprehensive income for the financial period	-	-	-	-	8	21,274	21,282	12,395	33,677
<i>Transactions with owners:</i>									
Dividend paid	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-
Effect of changes in shareholding	-	-	-	-	-	-	-	-	-
Equity-settled ESS expenses	-	-	-	1,514	-	(547)	967	547	1,514
ESS vested	-	-	2,411	(2,490)	-	79	-	-	-
Purchase of shares held for ESS	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	2,411	(976)	-	(468)	967	547	1,514
As at 31 March 2023 (Unaudited)	79,303	(3,052)	(9,067)	2,730	(43)	579,165	649,036	278,895	927,931

	Attributable to Owners of the Company					Retained Profits	Total	Non-controlling Interests	Total Equity
	Non-distributable				Distributable				
	Share Capital	Treasury Shares	Shares held for Employee Share Scheme ("ESS")	ESS Reserve	Foreign Currency Translation Reserve				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2022 (Audited)	79,303	-	(4,269)	2,266	36	488,419	565,755	229,864	795,619
Profit for the financial period	-	-	-	-	-	20,397	20,397	11,976	32,373
Other comprehensive income for the financial period	-	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the financial period	-	-	-	-	(1)	20,397	20,396	11,976	32,372
<i>Transactions with owners:</i>									
Dividend paid	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-
Effect of changes in shareholding	-	-	-	-	-	2,936	2,936	(2,936)	-
Equity-settled ESS expenses	-	-	-	2,606	-	-	2,606	-	2,606
ESS vested	-	-	3,378	(3,178)	-	(200)	-	-	-
Purchase of shares held for ESS	-	-	(10,741)	-	-	-	(10,741)	-	(10,741)
Purchase of treasury shares	-	(3,052)	-	-	-	-	(3,052)	-	(3,052)
Total transactions with owners of the Company	-	(3,052)	(7,363)	(572)	-	2,736	(8,251)	(2,936)	(11,187)
As at 31 March 2022 (Unaudited)	79,303	(3,052)	(11,632)	1,694	35	511,552	577,900	238,904	816,804

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")
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QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023

	3 Months ended 31/3/2023 (Unaudited) RM'000	3 Months ended 31/3/2022 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	34,306	33,317
Adjustments for:		
Amortisation of intangible assets	1,228	1,254
Depreciation	2,297	1,223
Gain on disposal of property, plant and equipment	-	(46)
Expected credit loss ("ECL") allowance on receivables	199	-
Reversal of ECL allowance on receivables	(720)	-
Interest expense	-	21
Interest income	(2,867)	(1,597)
Gain from changes in fair value of foreign currency forward contracts	(5,744)	(436)
Gain on disposal of other investments	(17)	(4)
(Gain)/Loss from changes in fair value of other investments	(1)	13
Inventory written down - addition	247	72
Inventory written down - reversal	(11)	(56)
Share of results of associates	(1,051)	214
ESS expenses	1,514	2,606
Unrealised loss/(gain) on foreign exchange	163	(1,025)
Operating profit before working capital changes	<u>29,543</u>	<u>35,556</u>
Increase in inventories	(18,209)	(13,942)
Increase in receivables	(6,646)	(34,710)
Increase in payables	(6,572)	19,386
Increase in contract liabilities	(6,909)	712
Cash (absorbed by)/generated from operations	<u>(8,793)</u>	<u>7,002</u>
Interest paid	-	(21)
Tax paid	(365)	(1,193)
Net cash (used in)/from operating activities	<u>(9,158)</u>	<u>5,788</u>
Cash flows from investing activities		
Acquisition of other investments	-	(127)
Interest received	2,867	1,597
Proceeds from disposal of other investments	78	173
Purchase of intangible assets	(1,676)	(1,282)
Purchase of investment property	-	(3,583)
Purchase of property, plant and equipment	(18,347)	(8,337)
Net cash used in investing activities	<u>(17,078)</u>	<u>(11,559)</u>
Cash flows from financing activities		
Repayment of term loan	-	(105)
Purchase of shares in a subsidiary for ESS	-	(10,741)
Purchase of treasury shares	-	(3,052)
Net cash used in financing activities	<u>-</u>	<u>(13,898)</u>
Net decrease in cash and cash equivalents	(26,236)	(19,669)
Effect of foreign exchange rate changes	100	279
Cash and cash equivalents at beginning	<u>421,225</u>	<u>478,241</u>
Cash and cash equivalents at end	<u><u>395,089</u></u>	<u><u>458,851</u></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 31 MARCH 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 31 March 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 period 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*

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 Leaseback*¹
Amendments to MFRS 101 *Presentation of Financial Statements - Non-current Liabilities with Covenants*¹
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 Venture*²

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

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 31 March 2023.

9 Capital Commitments

	Amount (RM'000)
Contracted but not provided for - Property, plant and equipment	41,464
Authorised but not contracted for - Property, plant and equipment	130,684

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

10 Related Party Transactions

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

	Automated test equipment	Factory automation solutions	Smart control solution system	Adjustment	Total
	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue					
External revenue	111,212	54,091	2		165,305
Inter-segment revenue	195	4,212	81	(4,488)	-
Total revenue	<u>111,407</u>	<u>58,303</u>	<u>83</u>		<u>165,305</u>
Results					
Segment results	25,787	8,736	(973)	(3,162)	30,388
Interest income	1,988	105	-	774	2,867
Share of results of associates	-	-	-	1,051	1,051
Profit/(Loss) before taxation	<u>27,775</u>	<u>8,841</u>	<u>(973)</u>		<u>34,306</u>
Taxation	(753)	(10)	(12)	134	(641)
Profit/(Loss) for the financial period	<u>27,022</u>	<u>8,831</u>	<u>(985)</u>		<u>33,665</u>

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

Results for the financial period ended 31 March 2022

	Automated test equipment	Factory automation solutions	Smart control solution system	Adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	114,390	31,600	33		146,023
Inter-segment revenue	167	310	-	(477)	-
Total revenue	<u>114,557</u>	<u>31,910</u>	<u>33</u>		<u>146,023</u>
Results					
Segment results	31,479	3,526	(827)	(2,223)	31,955
Interest income	1,095	59	-	443	1,597
Interest expense	(21)	-	-		(21)
Share of results of associates	-	-	-	(214)	(214)
Profit/(Loss) before taxation	<u>32,553</u>	<u>3,585</u>	<u>(827)</u>		<u>33,317</u>
Taxation	(1,075)	(3)	-	134	(944)
Profit/(Loss) for the financial period	<u>31,478</u>	<u>3,582</u>	<u>(827)</u>		<u>32,373</u>

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	(3,525)	(3,525)
Loss on foreign exchange:		
- realised	(7,181)	(7,181)
- unrealised	(163)	(163)
Gain from changes in fair value of foreign currency forward contracts	5,744	5,744
Gain on disposal of other investments	17	17
Interest income	2,867	2,867
Gain from changes in fair value of other investments	1	1
Gain on disposal of property, plant and equipment	-	-
Property, plant and equipment written off	-	-
Intangible assets written off	-	-
Inventory written down - addition	(247)	(247)
Inventory written down - reversal	11	11
Net reversal of ECL allowance on receivables	521	521
Bad debts written off	-	-

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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

	3 Months Ended 31/3/2023	3 Months Ended 31/3/2022	Variance
	RM'000	RM'000	%
Revenue	165,305	146,023	13.2
Operating profit	33,255	33,552	(0.9)
Profit before taxation	34,306	33,317	3.0
Profit for the financial period	33,665	32,373	4.0

The Group recorded a quarterly revenue of RM165.3 million in the 3-month ended 31 March 2023 (“1Q2023”) as compared to RM146.0 million registered in the 3-month ended 31 March 2022 (“1Q2022”), representing an increase of 13.2%.

The Group’s revenue was mainly contributed by the ATE and FAS segments, constituting approximately 67.3% and 32.7% respectively of the Group’s total revenue in 1Q2023.

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

	3 Months Ended 31/3/2023	3 Months Ended 31/3/2022	Variance
	RM'000	RM'000	%
ATE	111,407	114,557	(2.7)
FAS	58,303	31,910	82.7
Smart control solution system	83	33	151.5

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

	3 Months Ended 31/3/2023		3 Months Ended 31/3/2022	
	RM'000	%	RM'000	%
Automotive	90,084	54.5	52,433	35.9
Semiconductor	20,319	12.3	18,351	12.6
Electro-Optical	19,197	11.6	44,228	30.3
Medical devices	19,135	11.6	11,089	7.6
Consumer and industrial products	16,568	10.0	19,889	13.6
Others	2	<i>n.m.</i>	33	<i>n.m.</i>
Total	165,305		146,023	

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

The Group closed its 1Q2023 with a profit before taxation of RM34.3 million (1Q2022: RM33.3 million), representing an increase of approximately 3.0%. The Group’s EBITDA (earnings before interest, tax, depreciation and amortisation) for the 1Q2023 stood at RM37.8 million (1Q2022: RM35.8 million), representing an increase of 5.6%. Basic earnings per share for the period increased from 2.86 sen in 1Q2022 to 2.99 sen in 1Q2023.

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 slightly by approximately RM3.2 million from RM114.6 million in the previous corresponding quarter to RM111.4 million in 1Q2023. The slight contraction in revenue was mainly due to the timing of project delivery which did not take place as scheduled in the current period. Within the ATE segment, the Group’s automotive segment continued to have the highest proportion with its revenue contribution rate of 79.1% in 1Q2023 as compared to 45.2% in 1Q2022, which represented a growth of 71.8%. With the structural electrification trend worldwide and the various automotive-related measures in place as part of the decarbonisation initiatives in boosting the sales of electric vehicle, such strength in the automotive segment complements the Group’s full range of test and assembly solutions catering for a wide array of automotive component manufacturers globally, ranging from front-end to back-end.

The semiconductor industry contributed 13.8% towards the ATE segment during the period, a moderate decline from 16.1% in 1Q2022. Amid the macroeconomic headwinds from the global semiconductor downturn and geopolitical factors, demand for the Group’s test handling equipment from this industry segment remains cyclical in nature. Meanwhile, revenue contribution from the electro-optical industry continued to indicate signs of contraction from its revenue contribution of 29.5% in 1Q2022 to 6.6% in 1Q2023. The low contribution rate from this industry segment was mainly due to the ongoing sluggishness in the global smartphone market and demand for the Group’s test solutions were mainly centred on tester upgrades and its ancillary parts in 1Q2023.

Overall, the ATE segment will continue to contribute the larger portion of the Group’s revenue albeit at a lower quantum of dominance which is in line with the Group’s ongoing effort in driving segmental diversification. The automotive segment remains the bright spot in spearheading the overall growth momentum of the ATE segment and against this backdrop, the Group is well positioned to capture the ongoing opportunity owing to its wide array of highly customised test solutions for this segment.

Profit before taxation in the ATE segment experienced a decrease by 14.7% from RM32.6 million achieved in 1Q2022 to RM27.8 million for the 1Q2023 mainly due to major salary adjustment made in the direct labor and indirect labor cost, besides revenue contraction due to timing of project delivery which did not take place as scheduled in the current quarter.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

2) Factory automation solutions

After registering growth for the past three quarters consecutively in 2022, revenue from the FAS segment in 1Q2023 continued to grow at an astounding rate of 82.7% to RM58.3 million as compared to RM31.9 million recorded in the previous corresponding period. Notably, the FAS segment gained its revenue momentum from the medical devices segment with its leading dominance of 35.4% as compared against its revenue contribution of 3.3% in 1Q2022, chalking an exponential growth from a low base within the segment. This was followed by other business segments such as the consumer and industrial products segment and electro-optical segment with its respective revenue contribution of 29.5% and 22.0% within the FAS business unit.

The FAS segment of the Group has been gaining its traction over the last few years. The demand for the Group’s proprietary i-ARMS (intelligent Automated Robotic Manufacturing system) has positively contributed towards the FAS segment driven mainly by the massive adoption of automation in the current post-pandemic environment in achieving efficiency and productivity. With the opportunity presented from the emergence of digital technologies, the FAS segment will continue to grow based on the current order book momentum.

The FAS segment recorded a higher profit before taxation by 146.6% to RM8.8 million for the 1Q2023 (1Q2022: RM3.6 million) mainly due to an increase in revenue as well as the following factors:

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

3) Smart control solution system

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

In 1Q2023, this segment recorded a revenue of RM83,000 (1Q2022: RM33,000), while its loss before taxation stood at RM1.0 million in Q12023 versus a loss before taxation of RM0.8 million in 1Q2022. The higher loss before taxation in 1Q2023 was the result of higher administrative and general expenses incurred.

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

	3 Months Ended	3 Months Ended	Variance
	31/3/2023	31/12/2022	
	RM’000	RM’000	%
Revenue	165,305	147,659	12.0
Operating profit	33,255	37,723	(11.8)
Profit before taxation	34,306	36,925	(7.1)
Profit for the financial period	33,665	35,945	(6.3)

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In 1Q2023, the Group recorded a revenue of RM165.3 million as compared to a revenue of RM147.7 million in 4Q2022, representing an increase of 12.0%. However, profit before taxation registered a decrease of 7.1% in 1Q2023 to RM34.3 million (4Q2022: RM36.9 million), mainly due to major salary adjustment and additional bonus payment made during the quarter as part of the Group’s initiatives in talent pool retention. Additionally, the Group incurred a RM1.6 million research and development cost for its single-use medical devices in 1Q2023. The below outlined the revenue of the respective operating segments where elements of inter-segment transactions were included.

	3 Months Ended 31/3/2023	3 Months Ended 31/12/2022	Variance
	RM’000	RM’000	%
ATE	111,407	94,414	18.0
FAS	58,303	53,458	9.1
Smart control solution system	83	252	(67.1)

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

	3 Months Ended 31/3/2023		3 Months Ended 31/12/2022	
	RM’000	%	RM’000	%
Automotive	90,084	54.5	69,464	47.0
Semiconductor	20,319	12.3	13,960	9.5
Electro-Optical	19,197	11.6	25,673	17.4
Medical devices	19,135	11.6	33,379	22.6
Consumer and industrial products	16,568	10.0	5,183	3.5
Others	2	<i>n.m.</i>	-	-
Total	165,305		147,659	

Performance of the respective operating segments which includes inter-segment transactions in 1Q2023 as compared to 4Q2022 are analysed as follows:

1) Automated test equipment

In 1Q2023, revenue from the ATE segment increased by RM17.0 million to RM111.4 million (4Q2022: RM94.4 million), representing a jump of 18.0%. The increase was mainly due to higher project value that was delivered and recorded during the quarter.

In line with a higher revenue, the ATE segment recorded a higher profit before taxation of RM27.8 million in 1Q2023, representing a growth of 19.0% (4Q2022: RM23.3 million).

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2) Factory automation solutions

The FAS segment also recorded revenue growth, albeit marginally in 1Q2023 at RM58.3 million (4Q2022: RM53.5 million), driven by the project delivery for the Group’s proprietary i-ARMS solutions that was fulfilled during the quarter.

On the other hand, profit before taxation dropped 62.8% to RM8.8 million in 1Q2023 (4Q2022: RM23.8 million) as a result of one-off item comprising waiver of other payable amounted to RM4.8 million and net reversal of expected credit loss allowance on trade receivables amounting to RM6.3 million that were previously recorded in 4Q2022.

3) Smart control solution system

In 1Q2023, this segment recorded a revenue of RM83,000 (4Q2022: RM252,000) and recorded a higher loss before taxation in 1Q2023 at RM1.0 million (4Q2022: RM0.7 million). This was the result of higher administrative and general expenses incurred.

16 Prospect

The Group entered 2023 with a sizeable order book on hand and it expects majority of its order to be fulfilled and delivered during the year. Within the order book momentum, the Group continues to see strength in the automotive and medical devices segment, benefitting mainly from the intensifying trends in automotive electrification and the prevalent application of automation in medical manufacturing activities. On the other hand, demand from the electro-optical segment continues to be modest from the ongoing subdued volumes for smartphones given the lack of new smart sensors’ development and the impact on consumer spending for such hardware upgrades. Both the semiconductor and consumer and industrial products segment sees a trend of modest growth and the Group expects the revenue proportion from these segments to remain consistent as the previous year.

While the overall economic outlook will remain uncertain with the ongoing battle with inflation and growing commodity pressures, the Group remains committed in upholding its three pillars of growth strategies which includes product diversification, segmental diversification and geographical diversification. With the recent establishment of a wholly foreign-owned limited liability company in Germany as part of the Group’s expansion initiatives to further broaden its geographical footprint outside of Malaysia, the Group will continue to build its internal capabilities and expand its revenue stream in an ever evolving situation. While 2023 is set to be just as challenging as 2022, heightened vigilance and resilience are required in the coming quarters as the Group continues to seize business opportunities from the structural megatrends and emerging developments in the technological space, and the Group will remain steadfast and focused on its core competencies for a sustainable growth in the near future.

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	(641)	(641)
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

On 30 March 2023, Pentamaster Technology (M) Sdn. Bhd., a wholly-owned subsidiary of Pentamaster International Limited, which in turn is a subsidiary of the Company, has established a wholly foreign-owned limited liability company in Germany, namely Pentamaster Automation (Germany) GmbH (“PAG”), with an issued and paid-up share capital of Euro 25,000. The intended principal activities of PAG are design and development, production and sales of automated test equipment, factory automation system and other handling solutions as well as providing technical consulting services and other related support services.

Save for the foregoing, 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, except for the following:

Investment in Everready Precision Industrial Corp, Taiwan, Republic of China

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 approximately USD6,776,733 (equivalent to RM28,225,000).

On 9 March 2023, the Company announced that PISB has elected to withdraw from the Proposed Subscription in accordance with its rights under the terms of the Proposed Subscription, and that PISB will pursue for the return of the investment sum of USD6,776,733 from EPIC.

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Fulfillment of profit guarantee in relation to the acquisition of TP Concept Sdn. Bhd. (“TP Concept”)

References are made to (i) the announcement of the Company dated 26 September 2019 in relation to the acquisition of 100% equity interest in TP Concept; and (ii) the announcement of the Company dated 25 February 2021 in relation the extension of profit guarantee period. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the said announcements of the Company.

On 15 March 2023, the Company announced that the Aggregate Profit Guarantee has been fulfilled within the Extended Profit Guarantee Period and the Final Balance Release has been released to the Vendors. Therefore, the Performance Guarantee has been fulfilled.

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	26,129	Within eight (8) years ⁽³⁾	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	56,840		30,260

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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.

23 Derivative Financial Instruments

As at the date of the statement of financial position 31 March 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	228,538	(614)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 31 March 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 31 March 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.

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25 Material Litigations

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

26 Dividends

The Board of Directors does not recommend any dividend in respect of the quarter ended 31 March 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 31/3/2023 RM'000	3 Months Ended 31/3/2022 RM'000
Profit attributable to owners of the Company	21,274	20,397
Weighted average number of ordinary shares	711,317,121	712,067,311
Earnings per share attributable to owners of the Company (sen)	2.99	2.86

BY ORDER OF THE BOARD

ADELINE TANG KOON LING

Secretary

11 May 2023