

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

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

	Individual Quarter		Cumulative Year	
	30/6/2023	30/6/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Revenue	176,882	151,343	342,187	297,366
Cost of goods sold	(124,099)	(104,871)	(242,693)	(207,056)
Gross profit	<u>52,783</u>	<u>46,472</u>	<u>99,494</u>	<u>90,310</u>
Other income	8,233	7,372	6,058	11,359
Distribution costs	(2,245)	(1,985)	(4,356)	(5,273)
Administrative expenses	(20,012)	(20,344)	(29,082)	(31,150)
Other operating expenses	(133)	(95)	(233)	(274)
Operating profit	<u>38,626</u>	<u>31,420</u>	<u>71,881</u>	<u>64,972</u>
Finance costs	-	(20)	-	(41)
Share of (loss)/profit of associates	(324)	(246)	727	(460)
Profit before taxation	<u>38,302</u>	<u>31,154</u>	<u>72,608</u>	<u>64,471</u>
Taxation	(1,093)	(718)	(1,734)	(1,662)
Profit for the financial period	<u>37,209</u>	<u>30,436</u>	<u>70,874</u>	<u>62,809</u>
Total other comprehensive income, net of tax: Item that will be reclassified subsequently to profit or loss				
Foreign currency translation of foreign operations	(35)	(25)	(23)	(26)
Total comprehensive income for the financial period	<u>37,174</u>	<u>30,411</u>	<u>70,851</u>	<u>62,783</u>
Profit for the financial period, attributable to:				
Owners of the Company	23,654	19,204	44,928	39,601
Non-controlling interests	13,555	11,232	25,946	23,208
	<u>37,209</u>	<u>30,436</u>	<u>70,874</u>	<u>62,809</u>
Total comprehensive income for the financial period, attributable to:				
Owners of the Company	23,632	19,188	44,914	39,584
Non-controlling interests	13,542	11,223	25,937	23,199
	<u>37,174</u>	<u>30,411</u>	<u>70,851</u>	<u>62,783</u>
Earnings per share attributable to owners of the Company (Sen):				
- Basic/Diluted	3.33	2.70	6.32	5.56

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

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

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

	Unaudited As at 30/6/2023 RM'000	Audited As at 31/12/2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	209,534	170,009
Investment properties	22,683	22,805
Goodwill	4,495	4,495
Intangible assets	42,401	40,682
Investment in associates	20,798	20,070
Other investments	7,450	6,117
	<u>307,361</u>	<u>264,178</u>
Current assets		
Inventories	169,437	170,934
Trade receivables	273,352	237,926
Other receivables, deposits and prepayments	62,779	60,407
Derivative financial assets	-	489
Other investments	156	219
Tax recoverable	1,565	2,791
Cash and cash equivalents	448,047	421,225
	<u>955,336</u>	<u>893,991</u>
TOTAL ASSETS	<u>1,262,697</u>	<u>1,158,169</u>
EQUITY AND LIABILITIES		
Share capital	79,303	79,303
Reserves	576,426	547,484
	<u>655,729</u>	<u>626,787</u>
Non-controlling interests	<u>280,956</u>	<u>265,953</u>
Total Equity	<u>936,685</u>	<u>892,740</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	3,493	3,762
	<u>3,493</u>	<u>3,762</u>
Current liabilities		
Trade payables	115,470	121,528
Other payables, accruals and provisions	25,645	31,799
Contract liabilities	149,421	100,581
Dividend payable	24,175	-
Derivative financial liabilities	7,158	6,847
Tax payable	650	912
	<u>322,519</u>	<u>261,667</u>
Total Liabilities	<u>326,012</u>	<u>265,429</u>
TOTAL EQUITY AND LIABILITIES	<u>1,262,697</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 SIX MONTHS ENDED 30 JUNE 2023**

	Attributable to Owners of the Company					Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Non-distributable				Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Shares held for Employee Share Scheme ("ESS") RM'000	ESS Reserve RM'000	Foreign Currency Translation Reserve RM'000				
As at 1 January 2023 (Audited)	79,303	(3,052)	(11,478)	3,706	(51)	558,359	626,787	265,953	892,740
Profit for the financial period	-	-	-	-	-	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)
Effect of changes in shareholding	-	-	-	-	-	-	-	-	-
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)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
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

	Attributable to Owners of the Company					Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Non-distributable				Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Shares held for Employee Share Scheme ("ESS") RM'000	ESS Reserve RM'000	Foreign Currency Translation Reserve RM'000				
As at 1 January 2022 (Audited)	79,303	-	(4,269)	2,266	36	488,419	565,755	229,864	795,619
Profit for the financial period	-	-	-	-	-	39,601	39,601	23,208	62,809
Other comprehensive income for the financial period	-	-	-	-	(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 interest	-	-	-	-	-	-	-	(9,712)	(9,712)
Equity-settled ESS expenses	-	-	-	2,606	-	(940)	1,666	940	2,606
ESS vested	-	-	3,378	(3,178)	-	(200)	-	-	-
Purchase of shares held for ESS	-	-	(12,715)	-	-	4,590	(8,125)	(4,590)	(12,715)
Purchase of treasury shares	-	(3,052)	-	-	-	-	(3,052)	-	(3,052)
Total transactions with owners of the Company	-	(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

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.

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QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	6 Months ended 30/6/2023 (Unaudited) RM'000	6 Months ended 30/6/2022 (Unaudited) RM'000
Cash flows from operating activities		
Profit before taxation	72,608	64,471
Adjustments for:		
Amortisation of intangible assets	2,919	2,493
Depreciation	5,086	2,522
Gain on disposal of property, plant and equipment	-	(58)
Reversal of expected credit loss ("ECL") allowance on receivables	(1,075)	(250)
Interest expense	-	41
Interest income	(5,737)	(3,061)
Loss from changes in fair value of foreign currency forward contracts	800	11,572
Gain on disposal of other investments	(17)	(15)
Loss from changes in fair value of other investments	2	42
Inventory written down - addition	388	103
Inventory written down - reversal	(18)	(104)
Property, plant and equipment written off	4	-
Share of (loss)/profit of associates	(727)	460
ESS expenses	2,944	2,606
Unrealised gain on foreign exchange	(12,190)	(7,430)
Operating profit before working capital changes	64,987	73,392
Decrease/(Increase) in inventories	1,127	(44,082)
Increase in receivables	(23,862)	(90,432)
(Decrease)/Increase in payables	(15,229)	46,362
Increase in contract liabilities	48,840	239
Cash generated from/(used in) operations	75,863	(14,521)
Interest paid	-	(41)
Tax paid	(1,108)	(2,161)
Tax refunded	61	241
Net cash from/(used in) operating activities	<u>74,816</u>	<u>(16,482)</u>
Cash flows from investing activities		
Acquisition of other investments	(1,333)	(1,443)
Interest received	5,737	3,061
Proceeds from disposal of other investments	78	292
Purchase of intangible assets	(4,636)	(5,266)
Purchase of investment property	-	(3,583)
Purchase of property, plant and equipment	(44,494)	(9,584)
Net cash used in investing activities	<u>(44,648)</u>	<u>(16,523)</u>
Cash flows from financing activities		
Repayment of term loan	-	(211)
Purchase of shares in a subsidiary for ESS	(5,675)	(12,715)
Purchase of treasury shares	-	(3,052)
Net cash used in financing activities	<u>(5,675)</u>	<u>(15,978)</u>
Net increase/(decrease) in cash and cash equivalents	24,493	(48,983)
Effect of foreign exchange rate changes	2,329	2,138
Cash and cash equivalents at beginning	421,225	478,241
Cash and cash equivalents at end	<u>448,047</u>	<u>431,396</u>

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

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

COMPANY NO.: 200201004644 (572307-U)

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

1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The figures for the cumulative financial period in the current quarter to 30 June 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.

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

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

2 Audit Report of Preceding Annual Financial Statements

The audit report of the Group’s most recent annual audited financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

3 Seasonal and Cyclical Factors

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

4 Unusual Items

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

5 Changes in Estimates

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

6 Valuations of Property, Plant and Equipment

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

7 Changes in Share Capital and Debt

There were no issuances, cancellations, repurchases and repayments of debt and equity securities for the financial period under review.

8 Contingent Liabilities

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

9 Capital Commitments

	Amount (RM'000)
Contracted but not provided for - Property, plant and equipment	25,158
Authorised but not contracted for - Property, plant and equipment	127,228

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

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

10 Related Party Transactions

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

11 Segmental Information

The Group has three operating segments which are involved in different activities and are managed by segment managers who report directly to the Group’s executive directors. The operating segments are as follows:

- (i) Automated test equipment (“ATE”): Designing, development and manufacturing of standard and non-standard automated equipment;
- (ii) Factory automation solutions (“FAS”): Designing, development and installation of integrated factory automation solutions;
- (iii) Smart control solution system: Project management, smart building solutions and trading of materials.

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

Results for the financial period ended 30 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 2023

Results for the financial period ended 30 June 2022

	Automated test equipment RM'000	Factory automation solutions RM'000	Smart control solution system RM'000	Adjustment RM'000	Total RM'000
Revenue					
External revenue	224,346	72,987	33		297,366
Inter-segment revenue	385	2,114	70	(2,569)	-
Total revenue	<u>224,731</u>	<u>75,101</u>	<u>103</u>		<u>297,366</u>
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 loss of associates	-	-	-	(460)	(460)
Profit/(Loss) before taxation	<u>59,397</u>	<u>10,301</u>	<u>(1,600)</u>		<u>64,471</u>
Taxation	(1,926)	(5)	-	269	(1,662)
Profit/(Loss) for the financial period	<u>57,471</u>	<u>10,296</u>	<u>(1,600)</u>		<u>62,809</u>

12 Profit Before Taxation

	Current Quarter RM'000	Current Year to Date RM'000
Profit before taxation is arrived at after crediting/(charging):		
Depreciation and amortisation	(4,480)	(8,005)
(Loss)/Gain on foreign exchange:		
- realised	(7,088)	(14,269)
- unrealised	12,353	12,190
Loss from changes in fair value of foreign currency forward contracts	(6,544)	(800)
Gain on disposal of other investments	-	17
Interest income	2,870	5,737
Loss from changes in fair value of other investments	(3)	(2)
Property, plant and equipment written off	(4)	(4)
Gain on disposal of property, plant and equipment	-	-
Intangible assets written off	-	-
Inventory written down - addition	(141)	(388)
Inventory written down - reversal	7	18
Net reversal of ECL allowance on receivables	554	1,075
Bad debts written off	-	-

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

13 Events Subsequent to the End of the Financial Period

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

14 Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Financial Period Ended		
	30/6/2023	30/6/2022	Variance	30/6/2023	30/6/2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	176,882	151,343	16.9	342,187	297,366	15.1
Operating profit	38,626	31,420	22.9	71,881	64,972	10.6
Profit before taxation	38,302	31,154	22.9	72,608	64,471	12.6
Profit for the financial period	37,209	30,436	22.3	70,874	62,809	12.8

The Group recorded a quarterly revenue of RM176.9 million in the 3-month ended 30 June 2023 (“2Q2023”) as compared to RM151.3 million registered in the 3-month ended 30 June 2022 (“2Q2022”), representing an increase of 16.9%. For the first half of 2023 (“1H2023”), the Group recorded a higher revenue of RM342.2 million as compared to RM297.4 million in the first half of 2022 (“1H2022”), representing an increase of 15.1%.

The Group’s revenue was mainly contributed by the ATE and FAS segments, constituting approximately 83.9% and 16.1% respectively of the Group’s total revenue in 2Q2023.

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		
	30/6/2023	30/6/2022	Variance	30/6/2023	30/6/2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
ATE	148,562	110,174	34.8	259,969	224,731	15.7
FAS	30,243	43,191	(30.0)	88,546	75,101	17.9
Smart control solution system	420	70	500.0	503	103	388.3

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

	Individual Quarter 3 Months Ended				Cumulative Financial Period Ended			
	30/6/2023		30/6/2022		30/6/2023		30/6/2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automotive	106,627	60.3	50,575	33.4	196,711	57.5	103,008	34.6
Semiconductor	31,209	17.6	35,804	23.7	51,528	15.0	54,155	18.2
Electro-Optical	22,806	12.9	37,414	24.7	42,003	12.3	81,642	27.5
Medical devices	15,294	8.6	13,086	8.6	34,429	10.1	24,175	8.1
Consumer and industrial products	889	0.5	14,464	9.6	17,457	5.1	34,353	11.6
Others	57	0.1	-	-	59	n.m.	33	n.m.
Total	176,882		151,343		342,187		297,366	

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

The Group closed its 2Q2023 with a profit before taxation of RM38.3 million (2Q2022: RM31.2 million), representing an increase of approximately 22.9%. The Group closed its first half of the year 2023 with a profit before taxation of RM72.6 million, representing an increase of 12.6% from a profit before taxation of RM64.5 million recorded in 1H2022. Accordingly, the Group’s EBITDA (earnings before interest, tax, depreciation and amortisation) for the 2Q2023 stood at RM42.8 million (2Q2022: RM33.7 million), representing an increase of 26.9%, while the Group’s EBITDA for the 1H2023 stood at RM80.6 million (1H2022: RM69.5 million), representing an increase of 15.9%. Basic earnings per share increased from 2.70 sen in 2Q2022 to 3.33 sen in 2Q2023 and increased from 5.56 sen in 1H2022 to 6.32 sen in 1H2023.

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 increased by 34.8%, from RM110.2 million recorded in the previous corresponding quarter to RM148.6 million in 2Q2023. The strong performance achieved was mainly attributed by the Group’s strong presence and its broad product solutions in the automotive industry, where the automotive segment contributed 71.0% to the ATE segment in 2Q2023, as compared to 43.9% in 2Q2022, representing a jump of more than 100%. Specifically, the Group’s wafer level burn-in tester for Silicon Carbide (SiC) and its back-end assembly and test solutions for the hybrid pack power modules continued to fuel the growth for the Group’s automotive segment as globally, governments have been implementing strong mandates and policy support for the electric and renewable energy segments.

The semiconductor industry contributed 21.0% towards the ATE segment in 2Q2023, a decline from 32.1% in 2Q2022. Amid the macroeconomic headwinds and geopolitical tensions that led to inventory de-stocking and pricing pressure, demand for the Group’s test handling equipment from this industry segment remains cyclical in nature. This segment mainly comprised of legacy product portfolio in handling and testing of integrated chips, and is not an area of focus for the Group. Nevertheless, as integrated chips continue to advance with smaller nodes coupled with the integrated chips compound and circuitry advancements, the Group continues to expect a sustainable demand momentum for the rest of 2023.

Meanwhile, revenue contribution from the electro-optical industry continued to decrease, contributing approximately 8.0% towards the ATE revenue pool in 2Q2023, a significant drop from 23.9% achieved in 2Q2022. The overall subdued performance from the electro-optical segment was in line with the Group’s expectations and the Group expects a continuing tepid contribution from this segment in the remaining quarters of the year given the ongoing sluggishness in the global smartphone market from the reduced levels of consumer spending habits and lack of major smartphone upgrades.

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

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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 in a more than US\$90.0 billion market as committed by global auto manufacturers.

Similarly, profit before taxation in the ATE segment jumped by 58.7% from RM26.8 million achieved in 2Q2022 to RM42.6 million for the 2Q2023 as a result of higher revenue achieved coupled with better product mix during the quarter.

2) Factory automation solutions

After registering growth in the past continuous quarters, revenue from the FAS segment registered a drop of 30.0% in 2Q2023 at RM30.2 million from RM43.2 million registered in 2Q2022. Such was the nature for the FAS segment given its production cycle and project timeline which normally ranges more than 6 months for project delivery.

Notably, the FAS segment gained its revenue momentum from the medical devices segment, witnessing a revenue contribution rate of 53.9% in 2Q2023 as compared to 32.6% in 2Q2022. Other business segments such as the electro-optical segment and consumer and industrial products segment contributed 38.7% and 2.7% respectively in 2Q2023 to the FAS business segment, versus 27.1% and 35.5% respectively in 2Q2022.

The Group’s FAS segment 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 achieving efficiency, consistent quality and productivity. With medical industry striving towards automation for the same reason, the FAS segment will continue to grow based on the current order book momentum.

FAS segment reported a profit before taxation of RM0.7 million in 2Q2023, which represented a significant decline of 89.6% compared to 2Q2022 when it was at RM6.7 million. The main factor contributing to this significant decline in profit before taxation for the FAS segment in 2Q2023 was the significant revenue decline resulting in the FAS segment not achieving its economies of scale in the current quarter.

3) Smart control solution system

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

In 2Q2023, this segment recorded a revenue of RM420,000 (2Q2022: RM70,000), while its loss before taxation stood at RM0.6 million in 2Q2023 versus a loss before taxation of RM0.8 million in 2Q2022. The slight performance improvement during the quarter was a result of a higher project revenue achieved by this segment division.

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

	3 Months Ended	3 Months Ended	Variance
	30/6/2023	31/3/2023	
	RM'000	RM'000	%
Revenue	176,882	165,305	7.0
Operating profit	38,626	33,255	16.2
Profit before taxation	38,302	34,306	11.6
Profit for the financial period	37,209	33,665	10.5

In 2Q2023, the Group recorded a revenue of RM176.9 million as compared to a revenue of RM165.3 million for the 3-month ended 31 March 2023 (“1Q2023”), representing an increase of 7.0%. Meanwhile, the Group’s profit before taxation registered an increase of 11.6% in 2Q2023 to RM38.3 million (1Q2023: RM34.3 million) as the Group managed its other cost more efficiently during the quarter. 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
	30/6/2023	31/3/2023	
	RM'000	RM'000	%
ATE	148,562	111,407	33.4
FAS	30,243	58,303	(48.1)
Smart control solution system	420	83	406.0

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

	3 Months Ended		3 Months Ended	
	30/6/2023		31/3/2023	
	RM'000	%	RM'000	%
Automotive	106,627	60.3	90,084	54.5
Semiconductor	31,209	17.6	20,319	12.3
Electro-Optical	22,806	12.9	19,197	11.6
Medical devices	15,294	8.6	19,135	11.6
Consumer and industrial products	889	0.5	16,568	10.0
Others	57	0.1	2	n.m.
Total	176,882		165,305	

Performance of the respective operating segments which includes inter-segment transactions in 2Q2023 as compared to 1Q2023 are analysed as follows:

1) Automated test equipment

In 2Q2023, revenue from the ATE segment increased by RM37.2 million to RM148.6 million (1Q2023: RM111.4 million), representing a jump of 33.4%. The increase was mainly due to higher project value, particularly for the automotive segment that was delivered and recorded during the quarter.

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In line with a higher revenue, the ATE segment recorded a higher profit before taxation of RM42.6 million in 2Q2023, representing a growth of 53.4% (1Q2023: RM27.8 million).

2) Factory automation solutions

Meanwhile, the Group’s FAS segment recorded a 48.1% drop in revenue for 2Q2023 versus 1Q2023. In 2Q2023, the FAS segment recorded a revenue of RM30.2 million as compared to RM58.3 million in 1Q2023. This was mainly due to a strong revenue recorded by the FAS segment in the preceding quarter and timing of project delivery that did not occur in the current quarter, given FAS segment’s project nature.

Profit before taxation for the FAS segment in the current quarter dropped 92.1% to RM0.7 million in 2Q2023 versus 1Q2023 profit before taxation of RM8.8 million, as a result of the lower revenue recorded during the quarter.

3) Smart control solution system

In 2Q2023, this segment recorded a revenue of RM420,000 (1Q2023: RM83,000) and a loss before taxation of RM0.6 million (1Q2023: RM1.0 million). The improvement was due to higher revenue achieved during the quarter.

16 Prospect

The ongoing global macroeconomic headwinds persisted in the first half of 2023 and the escalating geopolitical tensions continued to dominate the business environment. With the interest rate hikes and the inflationary pressure coupled with the continuing manpower shortages and the looming threat of a recession, the global economic conditions on an overall basis remain volatile and challenging. While the fragility of the global macroeconomic variables looks set to persist throughout the second half of 2023, it is definitely another year for the Group to continue to demonstrate its resilience and agility as it navigates through these external challenges by focusing on its core business segments and leveraging on its competitive edge and experiences over the years.

While a higher degree of vigilance is required in the coming quarters amidst the uncertain and volatile business environment, the Group remains forward-looking with optimism in sustaining a steady momentum of business growth in the second half of 2023 with its encouraging order book strength. Within its order book, both the automotive and medical segment continue to provide a bright spot in the Group’s order flow. The Group has come a long way in making inroads into the automotive segment and at present, the Group has built a strong market positioning in the automotive segment with its comprehensive range of product solutions to cater for this growth segment. The automotive segment will continue to take the pole position as the Group’s leading revenue contributor for the coming years as the Group continues to make progressive breakthrough in its new product development and capabilities. Contributing to this sentiment is the growing market trends and policy efforts in supporting EV coupled with the recent emission regulations and electrification targets pushing long term EV production in regions like Europe and the United States. Riding on this current wave of development, the Group’s latest establishment of its offshore presence in Germany is timely in enabling the Group to expand its market share and widen its customer base.

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The Group has made remarkable progress in expanding its foothold and operations in the medical industry. The acquisition of TP Concept Sdn. Bhd. way back in 2019 has proven strategically value accretive and synergistic in enabling the Group to expand its exposure and capability in the medical manufacturing automation. In addition to this, such acquisition has also led the Group to embark further on the investment in medical technology through its subsidiary company, Pentamaster MediQ Sdn. Bhd. (“PDSB”). The first half of 2023 saw PDSB achieving a few key milestones in its single-use medical devices specifically the intravenous catheters (“IVC”). Besides obtaining the ISO13485 certification, PDSB has also successfully obtained the certificate of conformity for its IVC as well as the medical device registration certificate from the Medical Device Authority, Ministry of Health Malaysia (“MDA”). The next phase for PDSB is to submit the application of its IVC to the Notified Body for CE Mark registration. With the current MDA approval obtained, PDSB is expected to commence the manufacturing activity of its IVC for the local market in Malaysia before expanding its coverage in the ASEAN market.

As for the rest of the industry segments, the Group expects to continue to witness moderate demand especially from the electro-optical and consumer industrial and products segment in 2023. However, with the current geopolitical context precipitating the deglobalisation trend, many countries are seen bringing manufacturing activities closer to home and to a certain extent, building self-sufficiency in the semiconductor and electronics supply chain. Such onshoring initiatives fan out new manufacturing plants and expanded facilities, and the Group stands to benefit from these new establishments with the potential increase in demand for the Group’s products and solutions for these segments.

Operationally and fundamentally, the Group has strong foundations in place to explore and capitalise on any potential synergistic business opportunities throughout the year. The Group stays true and committed to its business trilogy of growth strategies in product diversification, segmental diversification and geographical diversification that have been serving the Group well with encouraging outcome over the years. As the Group taps into the growing segments of the industry, it is imperative for the Group to ensure it has sufficient manufacturing capacity and talent capability besides cultivating a resilient supply chain ecosystem to propel the Group to the next level. Within this context, the construction of the Group’s third plant is progressing as scheduled and by the end of 2023, phase one of the manufacturing facility is expected to be completed with phase two’s targeted completion in second half of 2024. Looking beyond 2023, the Group’s growth initiatives towards achieving its 2025 Grand Roadmap remain on track.

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	(1,093)	(1,734)
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.

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

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2) Listing Exercise of PIL

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

Purpose	Proposed Utilisation		Gross Proceeds Received ⁽²⁾ (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Balance (RM'000)
	Minimum Scenario ⁽¹⁾ (RM'000)	Maximum Scenario ⁽¹⁾ (RM'000)				
Business expansion through investment and acquisition	33,972	37,775	32,741	5,000	Within eight (8) years ⁽³⁾	27,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	27,462	Within eight (8) years ⁽³⁾	1,186
Working capital	21,172	23,549	20,405	20,405	Within five (5) years	-
Defray estimated expenses in relation to Listing Exercise, bonus issue and share split, collectively	5,508	5,508	5,306	5,306	Within six (6) months	-
Total	90,378	99,891	87,100	58,173		28,927

Notes:

- (1) *The minimum and maximum scenario under the proposed utilisation was based on the indicative offer price in relation to the Listing Exercise of HKD0.95 and HKD1.05 respectively.*
- (2) *The actual gross proceeds received was based on the actual offer price in relation to the Listing Exercise of HKD1.00. The difference between the gross proceeds received and the proposed utilisation was due to the difference in the conversion rate.*
- (3) *The original intended timeframe for utilisation of two (2) years was extended to five (5) years on 17 January 2020 and further extended to eight (8) years on 18 January 2023.*

22 Borrowings

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

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23 Derivative Financial Instruments

As at the date of the statement of financial position 30 June 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	209,814	(7,158)	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 30 June 2023, there have been no significant changes to the Group’s exposure to credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group’s risk management objectives, accounting policies and processes since the previous financial year end. Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

24 Fair Value of Financial Liabilities

For the quarter ended 30 June 2023, there is no fair value gain or loss on the financial liabilities. The carrying amounts of the financial liabilities as at date of the end of the statement of financial position date approximate to their fair value due to their short-term nature.

25 Material Litigations

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

26 Dividends

The Board of Directors does not recommend any dividend in respect of the quarter ended 30 June 2023.

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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 30/6/2023 RM'000	3 Months Ended 30/6/2022 RM'000	6 Months Ended 30/6/2023 RM'000	6 Months Ended 30/6/2022 RM'000
Profit attributable to owners of the Company	23,654	19,204	44,928	39,601
Weighted average number of ordinary shares	711,317,121	711,690,144	711,317,121	711,690,144
Earnings per share attributable to owners of the Company (sen)	3.33	2.70	6.32	5.56

BY ORDER OF THE BOARD

KONG SOWN KAEY
Secretary
10 August 2023