

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 YEAR ENDED 31 DECEMBER 2020**

	Individual Quarter 3 Months Ended		Cumulative Year Financial Year Ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Revenue	110,223	125,977	418,774	490,105
Cost of goods sold	(76,198)	(77,709)	(279,212)	(310,824)
Gross profit	34,025	48,268	139,562	179,281
Other income	5,604	5,938	14,263	18,095
Administrative expenses	(5,567)	(13,660)	(31,363)	(50,026)
Distribution costs	(1,975)	(1,855)	(7,808)	(7,204)
Other operating expenses	(92)	(67)	(193)	(328)
Operating profit	31,995	38,624	114,461	139,818
Finance costs	(6)	(36)	(117)	(187)
Share of results of an associate	(316)	(427)	(1,203)	(734)
Profit before taxation	31,673	38,161	113,141	138,897
Taxation	3,222	(2,643)	(883)	(7,799)
Profit and total comprehensive income for the period/year	34,895	35,518	112,258	131,098
Profit and total comprehensive income for the period/year attributable to :				
Owners of the Company	22,065	22,459	70,885	83,042
Non-controlling interests	12,830	13,059	41,373	48,056
	34,895	35,518	112,258	131,098
Earnings per share attributable to owners of the Company (sen) :				
- Basic and diluted	3.10	3.15	9.95	11.66

The unaudited condensed consolidated statement of profit or loss and other comprehensive income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Unaudited As at 31/12/2020 RM'000	Audited As at 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	121,782	85,627
Investment properties	19,668	9,948
Goodwill	4,495	4,495
Intangible assets	40,711	40,100
Investment in an associate	7,583	4,062
Other receivables, deposits and prepayments	10,609	21,460
	<u>204,848</u>	<u>165,692</u>
Current assets		
Inventories	33,836	59,458
Trade receivables	141,628	65,600
Other receivables, deposits and prepayments	10,236	21,027
Derivative financial assets	3,336	2,395
Other investments	676	-
Tax recoverable	1,228	146
Cash and cash equivalents	437,321	423,251
	<u>628,261</u>	<u>571,877</u>
TOTAL ASSETS	<u><u>833,109</u></u>	<u><u>737,569</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,303	79,303
Shares held for share award scheme	(5,849)	-
Retained profits	434,971	357,299
	<u>508,425</u>	<u>436,602</u>
Non-controlling interests	<u>196,879</u>	<u>159,285</u>
Total Equity	<u><u>705,304</u></u>	<u><u>595,887</u></u>
LIABILITIES		
Non-current liabilities		
Borrowings	2,565	3,004
Deferred income	1,746	2,072
Deferred tax liabilities	4,837	5,374
Other payables, accruals and provision	-	5,598
	<u>9,148</u>	<u>16,048</u>
Current liabilities		
Trade payables	64,133	33,030
Other payables, accruals and provision	37,898	40,719
Contract liabilities	15,471	49,559
Borrowings	411	358
Provision for taxation	744	1,968
	<u>118,657</u>	<u>125,634</u>
Total Liabilities	<u><u>127,805</u></u>	<u><u>141,682</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>833,109</u></u>	<u><u>737,569</u></u>

The unaudited condensed consolidated statement of financial position as at 31 December 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

PENTAMASTER CORPORATION BERHAD (572307-U) ("PCB" or "Company")
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to owners of the Company					
	Share capital	Shares held for share award scheme	Retained profits	Total	Non-controlling Interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020 (Audited)	79,303	-	357,299	436,602	159,285	595,887
Total comprehensive income for the year	-	-	70,885	70,885	41,373	112,258
<i>Transactions with owners:</i>						
Effect of changes in shareholding	-	-	13,911	13,911	1,014	14,925
Dividend paid	-	-	(7,124)	(7,124)	-	(7,124)
Dividend paid to non-controlling interest	-	-	-	-	(4,793)	(4,793)
Purchase of shares for share award scheme	-	(5,849)	-	(5,849)	-	(5,849)
As at 31 December 2020 (Unaudited)	<u>79,303</u>	<u>(5,849)</u>	<u>434,971</u>	<u>508,425</u>	<u>196,879</u>	<u>705,304</u>

	Equity attributable to owners of the Company					
	Share capital	Shares held for share award scheme	Retained profits	Total	Non-controlling Interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019 (Audited)	79,303	-	276,936	356,239	118,220	474,459
Total comprehensive income for the year	-	-	83,042	83,042	48,056	131,098
<i>Transactions with owners:</i>						
Effect of changes in shareholding	-	-	(2,679)	(2,679)	(2,253)	(4,932)
Dividend paid	-	-	-	-	(4,738)	(4,738)
As at 31 December 2019 (Audited)	<u>79,303</u>	<u>-</u>	<u>357,299</u>	<u>436,602</u>	<u>159,285</u>	<u>595,887</u>

The unaudited condensed consolidated statement of changes in equity for the year ended 31 December 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	12 Months ended 31/12/2020 RM'000	12 Months ended 31/12/2019 RM'000
Cash flows from operating activities		
Profit before taxation	113,141	138,897
Adjustments for:		
Amortisation of intangible assets	3,613	765
Deferred income released	(326)	(252)
Depreciation	4,573	3,801
Gain on disposal of property, plant & equipment	-	(14)
Expected credit loss on receivables - current year	8,463	3,824
Expected credit loss on receivables - reversal	(1,675)	-
Interest expense	117	187
Interest income	(8,727)	(10,595)
Gain from changes in fair value of foreign currency forward contracts	(941)	(7,206)
Gain on disposal of other investments	(569)	-
Loss from changes in fair value of other investments	115	-
Property, plant & equipment written off	225	3
Intangible assets written off	16	-
Inventory written downs - addition	262	2,497
Inventory written downs - reversal	(1,661)	(434)
Provision for warranty - current year	647	866
Provision for warranty - reversal	(866)	(736)
Share of results of an associate	1,203	734
Unrealised gain on foreign exchange	848	2,816
Operating profit before working capital changes	<u>118,458</u>	<u>135,153</u>
Decrease in inventories	27,021	95,397
Increase in receivables	(62,707)	(14,763)
Increase / (decrease) in payables	23,153	(21,260)
Decrease in contract liabilities	(34,088)	(49,533)
Cash generated from operations	<u>71,837</u>	<u>144,994</u>
Interest paid	(117)	(187)
Tax paid	(3,851)	(7,257)
Tax refund	126	1,122
Net cash generated from operating activities	<u>67,995</u>	<u>138,672</u>
Cash flows from investing activities		
Interest received	8,727	10,595
Acquisition of redeemable convertible preference shares of an associate	(3,000)	-
Investment in an associate	(1,724)	(1,750)
Investment in additional equity interest in a subsidiary	(6,479)	(31,568)
Acquisition of subsidiary, net of cash acquired	-	(15,379)
Purchase of property, plant and equipment	(40,851)	(14,051)
Purchase of investment property	(9,821)	-
Proceeds from disposal of other investments	13,579	-
Acquisition of other investments	(13,802)	-
Proceeds from disposal of property, plant and equipment	-	25
Purchase of intangible assets	(4,240)	(7,675)
Net cash used in investing activities	<u>(57,611)</u>	<u>(59,803)</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2020**

	12 Months ended 31/12/2020 RM'000	12 Months ended 31/12/2019 RM'000
Cash flows from financing activities		
Payment of finance lease liabilities	-	(82)
Dividend paid to non-controlling interest of a subsidiary	(4,793)	(4,738)
Dividend paid	(7,124)	-
Proceeds from disposal of shares to non-controlling interest of subsidiary	21,404	26,636
Repayment of term loan	(386)	(318)
Purchase of shares for share award scheme	(5,849)	-
Net cash used in financing activities	<u>3,252</u>	<u>21,498</u>
Net increase in cash and cash equivalents	13,636	100,367
Effect of foreign exchange rate changes	434	(1,769)
Cash and cash equivalents at the beginning of the year	423,251	324,653
Cash and cash equivalents at the end of the year	<u>437,321</u>	<u>423,251</u>

The unaudited condensed consolidated statement of cash flows for the year ended 31 December 2020 should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

PENTAMASTER CORPORATION BERHAD (572307-U)
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Notes To The Interim Financial Report For Year ended 31 December 2020

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 31 December 2020 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 2019.

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 2019, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) that are effective for annual period beginning on or after 1 January 2020:

Amendments to MFRS 3 *Definition of a Business*
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*
Amendments to MFRS 101 and MFRS 108 *Definition of Material*
Conceptual Framework Amendments to References to the Conceptual Framework in MFRS Standards

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: -

Amendment to MFRS 16 *Covid-19-Related Rent Concessions*¹
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform – Phase 2*²
Amendments to MFRS 3 *Reference to the Conceptual Framework*³
Amendments to MFRS 116 *Property, Plant and Equipment – Proceeds before Intended Use*³
Amendments to MFRS 137 *Onerous Contracts – Cost of Fulfilling a Contract*³
Amendments to MFRSs *Annual Improvements to MFRS Standards 2018–2020*³
MFRS 17 *Insurance Contracts and related amendments*⁴
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*⁴
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*⁵

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ 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.

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 2019 was not subject to any qualification.

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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 2019 up to 31 December 2020.

9 Capital Commitments

	Amount (RM'000)
Contracted but not provided for	
- Property, plant and equipment	706
- Investment in associate	15,000
Authorised but not contracted for	
- Property, plant and equipment	45,000

10 Related Party Transaction

There was no related party transaction for the Group since 31 December 2019 up to 31 December 2020.

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11 Segmental Information

The Group has two 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”

Results for the year ended 31 December 2020

	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	282,958	135,623	193		418,774
Inter-segment revenue	9,428	2,688	5	(12,121)	-
Total revenue	292,386	138,311	198		418,774
Results					
Segment results	95,187	17,914	(2,358)	(5,009)	105,734
Interest income	5,722	183	1	2,821	8,727
Interest expense	(117)	-	-		(117)
Share of results of an associate	-	-	-	(1,203)	(1,203)
Profit/(loss) before taxation	100,792	18,097	(2,357)		113,141
Taxation	(1,394)	(26)	-	537	(883)
Profit/(loss) after taxation	99,398	18,071	(2,357)		112,258

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Results for the year ended 31 December 2019

	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	422,489	64,600	3,016		490,105
	8,734	19,711	84	(28,529)	-
Total revenue	431,223	84,311	3,100		490,105
Results					
Segment results	128,759	8,334	(1,618)	(6,252)	129,223
Interest income	6,313	430	-	3,852	10,595
Interest expense	(187)	-	-		(187)
Share of results of an associate	-	-	-	(734)	(734)
Profit/(loss) before taxation	134,885	8,764	(1,618)		138,897
Taxation	(7,755)	(44)	-		(7,799)
Profit/(loss) after taxation	127,130	8,720	(1,618)		131,098

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	(2,771)	(7,860)
(Loss)/gain on foreign exchange:		
-realised	1,954	2,803
-unrealised	(3,697)	(964)
Gain from changes in fair value of foreign currency forward contracts	887	941
Gain on disposal of other investments	569	569
Interest income	1,754	8,727
Interest expense	(6)	(117)
Gain/(loss) on disposal of quoted or unquoted investments or properties	-	-
Loss from changes in fair value of other investments	(116)	(116)
Property, plant and equipment written off	(20)	(225)
Intangible assets written off		(16)
Investment income	-	-
Inventory written off	-	-
Inventory written downs-addition	(6)	(262)
Inventory written downs-reversal	15	1,661
Expected credit loss on receivables-addition	(2,615)	(8,463)
Expected credit loss on receivables-reversal	849	1,675
Bad debt written off	-	-

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13 Events Subsequent to the End of the Year

Extension of profit guarantee period 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 to the extension of profit guarantee period. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the said announcements of the Company.

Based on the financial statement of TP Concept for FYE2020 and FYE2021, the Vendors do not expect the Aggregate PAT of TP Concept to meet the Aggregate Profit Guarantee.

Given the reasons for the shortfall were mainly due to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which were beyond the control of the Vendors, and considering the business prospect of TP Concept, Pentamaster Equipment Manufacturing Sdn Bhd and the Vendors (the “Parties”) have entered into a supplemental share sale agreement on 25 February 2021 (the “Supplemental Agreement”) to extend the Profit Guarantee Period for the Vendors to fulfill the Aggregate Profit Guarantee. The Parties have mutually agreed that the Aggregate PAT to be used for determining the Aggregate Profit Guarantee shall be the Aggregate PAT of TP Concept for FPE2019, NFYE2020, NFYE2021 and NFYE2022 (“Extended Profit Guarantee Period”).

In summary, with the extension of Profit Guarantee Period, the Aggregate PAT in respect of TP Concept for FPE2019, NFYE2020, NFYE2021 and NFYE2022 shall not be less than MYR12,000,000. In the event the Aggregate PAT cannot be achieved during the Extended Profit Guarantee Period, the Vendors shall be liable to pay the shortfall to the Purchaser up to MYR12,000,000.

14 Review of Performance

	Individual Quarter 3 Months Ended			Cumulative Financial Year Ended		
	31/12/2020	31/12/2019	Variance	31/12/2020	31/12/2019	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	110,223	125,977	(12.5)	418,774	490,105	(14.6)
Operating profit	31,995	38,624	(17.2)	114,461	139,818	(18.1)
Profit before taxation	31,673	38,161	(17.0)	113,141	138,897	(18.5)
Profit and total comprehensive income for the period/year	34,895	35,518	(1.8)	112,258	131,098	(14.4)

The Group recorded lower revenue at RM110.2 million in the 3-month ended 31 December 2020 (“4Q2020”) as compared to RM126.0 million registered in the 3-month ended 31 December 2019 (“4Q2019”), representing a decrease of 12.5%. For the financial year ended (“FYE”) 31 December 2020, the Group recorded revenue of RM418.8 million as compared to revenue of RM490.1 million in the FYE 31 December 2019, representing a decrease of 14.6% due to a lower revenue contribution from the ATE segment during the year. However, the drop in revenue was partially offset by the revenue growth from the FAS segment. The ATE and FAS segments each accounted

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for approximately 67.6% and 32.4% of the total Group’s revenue, as compared to 2019 of 86.2% and 13.2%, respectively.

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

	Individual Quarter 3 Months Ended				Cumulative Financial Year Ended			
	31/12/2020		31/12/2019		31/12/2020		31/12/2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Electro-optical ⁽¹⁾	56,943	51.7	85,591	67.9	177,978	42.5	337,394	68.8
Automotive	29,531	26.8	22,079	17.5	84,146	20.1	70,419	14.4
Semiconductor	14,934	13.5	5,032	4.0	57,794	13.8	34,494	7.1
Consumer and industrial products	8,383	7.6	5,510	4.4	61,481	14.7	36,498	7.4
Medical Devices	412	0.4	7,265	5.8	37,182	8.9	8,283	1.7
Others	20	n.m.	500	0.4	193	n.m.	3,017	0.6
Total	110,223	51.6	125,977		418,774		490,105	

Note:

(1) *The electro-optical division is previously known as telecommunications division.*

Due to lower revenue achieved in 4Q2020, the Group consequently recorded a lower profit before taxation of RM31.7 million in the current quarter as compared to the profit before taxation of RM38.2 million in 4Q2019, representing a decrease of 17.0%. The decrease was also contributed by an expected credit loss on trade receivables amounting to RM1.8 million in 4Q2020.

For the FYE 31 December 2020, the Group recorded lower profit before taxation of RM113.1 million as compared to profit before taxation of RM138.9 million in the FYE 31 December 2019, representing a decrease of 18.5%, due to lower revenue achieved and expected credit loss on trade receivables amounting to RM6.8 million in FYE 31 December 2020.

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

This segment recorded a decrease in revenue by RM20.7 million or 18.9% to RM89.1 million in 4Q2020 as compared to 4Q2019. For the FYE 31 December 2020, the ATE segment recorded a decrease in revenue by approximately 32.2% to RM292.4 million. The drop in revenue under the ATE segment in 4Q2020 was mainly due to deferment of timely revenue recognition caused primarily by the adverse impact of the pandemic where the Group experienced disruption to its manufacturing activity, supply chain, project shipment, logistical services and inventory replenishment. The imposition of the massive global travelling restrictions particularly in the first half of 2020 further impeded the site installation of projects which was a major milestone for revenue recognition to take place. Despite the drop in revenue within the ATE segment, the Group witnessed a more diversified revenue base during the year from other segments where the Group was exposed to. One example was the growth in revenue traction from the automotive industry by more than 50.0% within ATE segment as compared to FYE 31 December 2019

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The Group’s increasing exposure to the automotive segment was a result of the market demand for its test handling equipment mainly for multilayer ceramic capacitors (MLCC), insulated-gate bipolar transistor (IGBT), silicon carbide (SiC) and gallium nitride (GaN)-based power management and power devices. While IGBT has been the mainstream solution for electrification, particularly for its high voltage and high current applications, the Group’s penetration into IGBT is timely with its broadened product portfolio that covers end to end solutions ranging from assembly to final inspection and test.

During the year, the electro-optical industry was still dominant within the ATE segment with its revenue contribution rate of approximately 50.0%, derived from a more diverse and complex product portfolio covering, among others, test solutions for Vertical Cavity Surface-Emitting Laser (VCSEL) illumination, 3D magnetometer sensor, 3D structured light sensor, 3D Time of Flight sensor and other relevant applications under optics and photonics sensing solutions. Such diverse product portfolio was a result of the Group’s continuous effort in making technology breakthrough through its consistent involvement in the forefront of the technology advancement in the electro-optical segment given the prevalent upgrades in smartphone and its peripherals. In addition, the Group also continued to witness the volume loading for its customised test solution in ambient and proximity sensors given the wide array of end product application of these sensors.

The Group continues to witness vast potential and opportunities in the ATE segment especially with the convergence of sensors, networking and web technologies, coupled with acceleration in the adoption of 5G in smartphones. Such integration with artificial intelligence features embedded will propel the sales of new hardware and devices going forward and spur the momentum of technology advancement across various industries that will provide a growth platform for the Group’s ATE segment.

As a result of lower revenue achieved, this segment recorded lower profit before taxation of RM33.7 million in 4Q2020 as compared to profit before taxation of RM39.7 million in 4Q2019, representing a decrease of RM6.0 million or 15.1%.

2) Factory automation solutions

This segment recorded revenue of RM22.3 million in 4Q2020 as compared to revenue of RM28.1 million in 4Q2019, representing decrease of approximately RM5.8 million or 20.6%. However, this segment recorded an increase in revenue for the FYE 31 December 2020 by 64.1% to RM138.3 million as compared to RM84.3 million in the FYE 31 December 2019.

The increase in revenue from the FAS segment during the FYE 31 December 2020 as compared to the FYE 31 December 2019 was mainly attributable to the growing adoption of automation for Industry 4.0 and IoT (Internet of Things)– enabled processes that saw growing demand for i-ARMS, a highly customised proprietary solution of the Group in automating the manufacturing processes or production line of various industries through its intelligent material handling system and robotics technology.

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Adding to the positive impact of the revenue contribution within the FAS segment was the effects of contribution from TP Concept Sdn Bhd subsequent to the full integration and consolidation of its operation within the Group, post-acquisition in September 2019. The growth in the Group’s revenue from the medical devices segment by more than 300.0% in 2020 as compared to 2019 was a testament to the Group’s strong commitment in expanding its foothold in the ever-growing medical devices segment.

On another note, the growth of factory automation market size is attributed to the emphasis on industrial automation and optimal resource utilisation given the rising labour cost and the industry’s rapid shift towards smart manufacturing. Taking into account such industrial revolution trend and its current advancement into artificial intelligence and digitalisation, the Group believes demand from the FAS segment remain robust in the coming year.

Due to the lower revenue in 4Q2020 as compared to 4Q2019, this segment recorded a loss before taxation of RM0.3 million in the 4Q2020 as compared to profit before taxation of RM0.4 million in the 4Q2019. For the FYE 31 December 2020, this segment recorded higher profit before taxation of RM18.1 million as compared to profit before taxation of RM8.8 million in the FYE 31 December 2019, representing an increase of RM9.3 million or 105.7%. The increase in the profit before taxation under this FAS segment was mainly due to higher revenue achieved during the year.

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 revenue of RM20,000 in 4Q2020 as compared to revenue of RM0.5 million in 4Q2019. This segment recorded a loss before taxation of RM19,000 in 4Q2020 as compared to loss before taxation of RM0.8 million in 4Q2019. The drop in revenue under the smart control solution system segment in 4Q2020 was mainly due to slow down in project activity. At the same time, the smart control solution system has implemented some cost rationalization measure and as a result, the loss before taxation has decreased substantially in 4Q2020.

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	3 Months Ended 30/12/2020	3 Months Ended 30/9/2020	Variance
	RM'000	RM'000	%
Revenue	110,223	105,418	4.6
Operating profit	31,995	25,788	24.1
Profit before taxation	31,673	25,534	24.0
Profit and total comprehensive income for the period	34,895	24,795	40.7

For 4Q2020, the Group recorded higher revenue at RM110.2 million as compared to the revenue of RM105.4 million for the 3 months ended 30 September 2020 (“3Q2020”), representing an increase of 4.6%. The higher revenue recorded in the current quarter under review was due to increase in sales from the ATE operating segment by 37.3%.

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

	3 Months Ended 31/12/2020		3 Months Ended 30/9/2020	
	RM'000	%	RM'000	%
Electro-optical ⁽¹⁾	56,943	51.7	31,168	29.6
Automotive	29,531	26.8	26,661	25.3
Semiconductor	14,934	13.5	11,591	11.0
Consumer and industrial products	8,383	7.6	24,052	22.8
Medical Devices	412	0.4	11,842	11.2
Others	20	<i>n.m</i>	104	0.1
Total	110,223		105,418	

Note:

(1) *The electro-optical division is previously known as telecommunications division.*

In line with the increase in the Group revenue in 4Q2020, the Group recorded a higher profit before taxation of RM31.7 million in 4Q2020 as compared to the profit before taxation of RM25.6 million in 3Q2020, representing an increase of 24.0% mainly due to better profit margin contributed by the ATE segment as a result of better product mix with higher margin.

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Performance of the respective operating segments which includes inter-segment transactions in 4Q2020 as compared to 3Q2020 are analysed as follows:

1) Automated test equipment

In 4Q2020, revenue from the ATE segment increased by RM24.2 million to RM89.1 million as compared to the revenue of RM64.9 million achieved in 3Q2020. The increase was mainly due to higher project delivery as a result of backlog orders. Due to higher revenue in 4Q2020, this segment achieved a higher profit before taxation of RM33.7 million in 4Q2020 as compared to RM20.0 million in 3Q2020. The higher profit before taxation in 4Q2020 was also mainly due to lower staff incentive and remuneration in 4Q2020.

2) Factory automation solutions

Revenue from this segment in 4Q2020 decreased by RM26.6 million against revenue of RM48.9 million in 3Q2020. This was mainly due to lower project delivery schedule and site installation as a result of travelling restriction. Due to lower revenue in 4Q2020, this segment also recorded a decrease in profit before taxation by RM10.0 million. The lower profit before taxation in 4Q2020 was derived mainly as a result of expected credit losses incurred by the Group.

3) Smart control solution system

Revenue from this segment decreased by RM0.1 million as compared to 3Q2020 as a result of project deferment caused primarily by the adverse impact of the pandemic. Despite recording a lower revenue in 4Q2020, this segment recorded a reduction in loss before taxation by RM1.7 million in 4Q2020 as a result of cost rationalization measure undertaken by the smart control solution system segment.

16 Prospect

Looking ahead into 2021, there are many uncertainties in the global economic situation which may be exacerbated by the ongoing threat of COVID-19 pandemic. It remains an observance year with both challenges and opportunities abound where rapid and fluid development in the technology world have to be closely monitored by the Group with the timeliness in reacting to challenges and capturing the opportunities that emerge. Despite having to continue to confront a raft of external and internal challenges under the influence of the pandemic which are all beyond the control of the Group, the immediate focus of the Group is to advocate the strict adherence to health and safety Standard Operating Procedures (“SOPs”) in its new sphere of working environment to minimise further disruption to its business operations.

Generally, the Group anticipates a better performance in 2021 based on the positive growth momentum deriving from several catalysts and trends influencing both the ATE and FAS segment. Against the backdrop of COVID-19 pandemic gradually becoming the “new normal”, the market trend of technology convergence into our daily lives will continue and become more prevalent. The global smartphone and hardware devices market is expected to rebound with 5G deployment, smart sensors adoption and evolution playing an integral role following the disruption in 2020. What is apparent is that these new developments will continue to present new opportunities for the Group for its position as an integrated and customised solution provider.

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The electrification of the transportation and the automotive industries have been one of the major trends and development of the century. Such dynamic e-mobility can be seen moving at an accelerating pace across developed nations in achieving zero carbon emission in accordance to the Paris Accord. Particularly China’s 2025 plan in achieving full electrification of public sector vehicles and transportation, the country has an allocation of capital expenditure of approximately RMB52.0 billion specifically for the IGBT market in addition to power modules that are SiC and GaN-based has further supported the Group’s deeper penetration into the automotive market through its product diversification which proves timely and encouraging. Not to mention other types of innovations involving ADAS (advanced driver assistance systems), LiDAR (light detection and ranging) application and other emergence of smart vehicle electronic devices, the Group anticipates the proliferation of EV and autonomous driving will continue to provide impetus to the Group’s exposure in the automotive industry.

Additionally, the Group has been actively developing new business activity within the medical device segment with the incorporation of Pentamaster MediQ Sdn. Bhd. (“PDSB”). PDSB was established by leveraging on the technical expertise of TP Concept to produce single-use medical devices for the healthcare industry, and the Group aims to grow this segment in the near term. Currently, the Group has earmarked approximately MYR60.0 million to be spent over the next three years to facilitate its new business venture which includes the set up cost for the production facility of PDSB and the related cost involved in carrying out the R&D activity of the single-use medical devices.

The Group operates in an increasingly competitive landscape where new businesses and technological trends are emerging. With that, the Group is prudently optimistic that year 2021 will be a promising year with plentiful business opportunities in this dynamic yet challenging market. While the extent of the future impact of COVID-19 pandemic on the Group’s operational and financial performance is dependent on many factors outside the Group’s control, the Group will remain focused and steadfast in building an outstanding technology platform which encompass bold technology investment in product innovation to be in line with its vision in providing world class automation solutions.

17 Profit Forecast or Profit Guarantee

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

18 Taxation

The taxation charge for the current quarter and year to date is as follows:

	Current Quarter	Current Year to Date
	RM’000	RM’000
Income tax payable	-	(883)
Income tax credit	3,222	-

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.

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19 Changes in the Composition of the Group

During the quarter under review, there were no changes in the composition of the Group.

20 Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

21 Share Award Scheme

On 1 April 2020, Pentamater International Limited (“PIL”), 63.1%-owned subsidiary of the Company adopted a share award scheme (the “Scheme”) in which employees of PIL and its subsidiaries (“PIL Group”) will be entitled to participate. The purpose of the Scheme is to recognise the contributions by certain employees and to incentivise them to achieve PIL Group’s long-term business goals and objectives. The Scheme also serves as part of PIL Group’s employee retention program in retaining its existing employees and to attract suitable personnel for further development of PIL Group.

During the year ended 31 December 2020, a sum of approximately HK\$10.6 million (equivalent to approximately MYR5.8 million) has been used to acquire 5,880,000 shares of PIL (the “PIL Shares”) from the open market by the trustee of the Scheme. No PIL Shares have been granted to eligible employees under the Scheme during the year.

The Scheme shall be subject to the administration of the Board of Directors of PIL and the trustee in accordance with the scheme rules and the trust deed of the Scheme. Subject to any early termination as may be determined by the Board of Directors of PIL, the Scheme shall be valid and effective for a term of 10 years commencing on its adoption date (i.e. 1 April 2020).

The maximum number of shares to be subscribed for and/or purchased by the trustee by applying the trust fund of the Scheme for the purpose of the Scheme shall not exceed 5% of the total number of issued shares of PIL from time to time. The directors of the PIL shall not instruct the trustee to subscribe and/or purchase any shares for the purpose of the Scheme when such subscription and/ or purchase will result in the said limit being exceeded. The maximum number of shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the total number of issued shares from time to time.

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22 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	25,012	Within five (5) years	3,636
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	50,723		36,377

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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23 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	411
<u>Long term borrowings (secured)</u>	
Finance lease liabilities	-
Term loan	2,565
Total	2,976

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.

24 Derivative Financial Instruments

As at the date of the statement of financial position 31 December 2020, 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	70,187	3,336	For hedging currency risk arising from sales proceeds in foreign currencies

For the quarter ended 31 December 2020, 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.

25 Fair Value of Financial Liabilities

For the quarter ended 31 December 2020, 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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26 Material Litigations

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

27 Dividends

The Directors recommend a final single-tier dividend of RM0.015 per ordinary share amounting to approximately RM10.7 million in respect of the financial year ended 31 December 2020 for shareholders’ approval at the forthcoming Annual General Meeting. The current financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

28 Earnings Per Share

The calculation of basic earnings per share for the financial period and financial year is based on the profit and total comprehensive income attributable to owners of the Company for the quarter and the financial year divided by the weighted average number of ordinary shares in issue during the quarter and the financial year.

	3 Months Ended 31/12/2020 RM'000	3 Months Ended 31/12/2019 RM'000	12 Months Ended 31/12/2020 RM'000	12 Months Ended 31/12/2019 RM'000
Profit and total comprehensive income attributable to owners of the Company	22,065	22,459	70,885	83,042
Weighted average number of ordinary shares	712,317,121	712,317,121	712,317,121	712,317,121
Earnings per share attributable to owners of the Company (sen)	3.10	3.15	9.95	11.66

BY ORDER OF THE BOARD

LIM KIM TECK
Secretary
25 February 2021