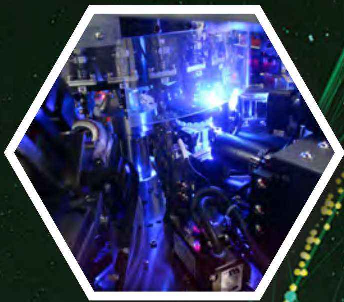
PENTAMASTER CORPORATION BERHAD
200201004644 (572307-U)

UNLEASHING INNOVATION FOR THE FUTURE

ANNUAL REPORT 2019



VISION

To provide world class automation solutions to the semiconductor and manufacturing industries in the global market.

MISSION

We are dedicated in delivering high quality and cost-effective products with value-added services. In our effort to achieve our mission, we strive to provide benefits and satisfaction to our customers, vendors, employees and the community as a whole.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHUAH CHOON BIN
Non-Executive Chairman

CHUAH CHONG EWE
Executive Director

LEE KEAN CHEONG
Independent Non-Executive Director

LENG KEAN YONG
Non-Independent Non-Executive Director

LOH NAM HOOI
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
LEE KEAN CHEONG
Independent Non-Executive Director

Members
LOH NAM HOOI
Independent Non-Executive Director

LENG KEAN YONG
Non-Independent Non-Executive Director

COMPANY SECRETARIES

LIM KIM TECK (MAICSA 7010844)
KONG SOWN KAEY (MAICSA 7047655)

AUDITORS

GRANT THORNTON
51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS

Plot 18 & 19, Technoplex
Medan Bayan Lepas
Taman Perindustrian Bayan Lepas, Phase IV
11900 Penang

Tel : 04-646 9212
Fax : 04-646 7212
Website : www.pentamaster.com.my

REGISTERED OFFICE

35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya, Penang
Tel : 04-397 6672
Fax : 04-397 6675

SHARE REGISTRAR

SECURITIES SERVICES (HOLDINGS) SDN. BHD.
Suite 18.05, MWE Plaza
No. 8, Lebuh Farquhar
10200 Penang
Tel : 04-263 1966
Fax : 04-262 8544

BANKERS

AMBANK (M) BERHAD
UNITED OVERSEAS BANK (MALAYSIA) BERHAD
PUBLIC BANK BERHAD
MALAYAN BANKING BERHAD

STOCK EXCHANGE LISTING

MAIN MARKET OF THE
BURSA MALAYSIA SECURITIES BERHAD
Sector : Technology
Stock Name : Penta
Stock Code : 7160

CORPORATE STRUCTURE
AS AT 18 MARCH 2020

PENTAMASTER

PENTAMASTER CORPORATION BERHAD
200201004644 (572307-U)

100%
ORIGO VENTURES (M) SDN. BHD.
201401027996
(1104082-X)
(Malaysia)

100%
PENTAMASTER SMART SOLUTION SDN. BHD.
200301023077
(625497-H)
(Malaysia)

64.36%
PENTAMASTER INTERNATIONAL LIMITED
(MC-323853)
(Cayman Islands)

100%
PENTAMASTER TECHNOLOGY (M) SDN. BHD.
199501007290
(336488-H)
(Malaysia)

100%
PENTAMASTER INSTRUMENTATION SDN. BHD.
200301034952
(637373-M)
(Malaysia)

100%
PENTAMASTER EQUIPMENT MANUFACTURING SDN. BHD.
200601029409
(749166-A)
(Malaysia)

35%
PENANG AUTOMATION CLUSTER SDN. BHD.
201601021441
(1192380-V)
(Malaysia)

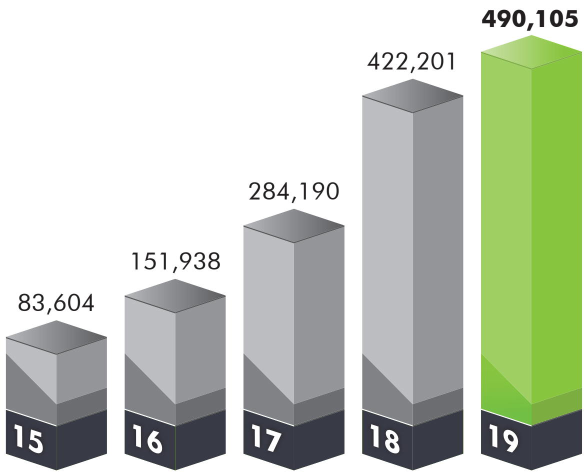
100%
PENTAMASTER EQUIPMENT MANUFACTURING, INC.
(82-4120867)
(U.S.)

100%
TP CONCEPT SDN. BHD.
201001040387
(924312-H)
(Malaysia)

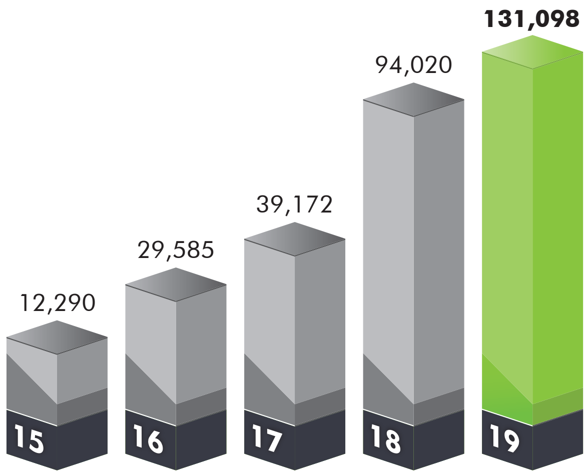
FINANCIAL SUMMARY

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	**490,105**	422,201	284,190	151,938	83,604
Profit before taxation	**138,897**	99,607	43,981	28,838	14,682
Profit after taxation	**131,098**	94,020	39,172	29,585	12,290
Profit attributable to:					
Owners of the Company	**83,042**	57,117	35,968	27,028	11,953
Non-controlling interests	**48,056**	36,903	3,204	2,557	337
ASSETS AND LIABILITIES					
Total assets	**737,570**	646,038	356,249	143,471	96,555
Total liabilities	**141,683**	171,580	155,903	31,297	18,704
Net assets	**595,887**	474,458	200,346	112,174	77,851

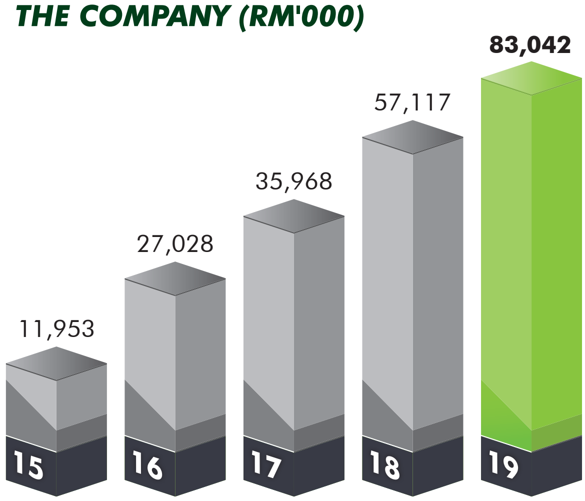
REVENUE (RM'000)



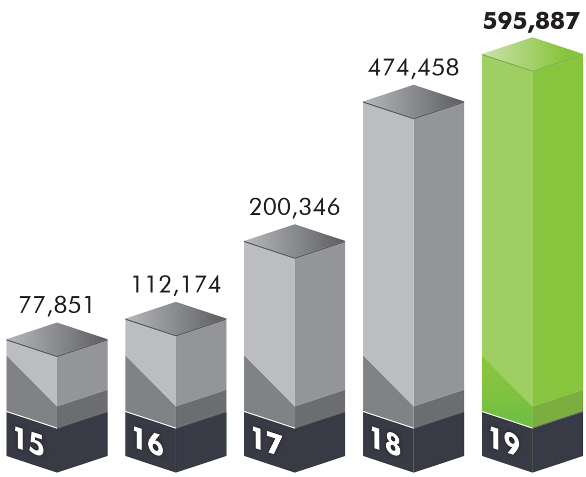
PROFIT AFTER TAXATION (RM'000)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



NET ASSETS (RM'000)



CHAIRMAN'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Pentamaster Corporation Berhad (the "Company" or "PCB"), I am delighted to report another strong year in 2019 for the Company and its subsidiaries (collectively, the "Group", "we", "us"), in which the Group continued to deliver excellent results for its shareholders. In terms of revenue growth, margin improvement and cash flow, the company performed well – even though the economic environment was challenging.

BUSINESS REVIEW

The Group's revenue recorded a new height at RM490.1 million, representing a 16.1% growth year-on-year while its profit after taxation increased by 39.4% hitting a historic record of RM131.1 million during the year. The Group is a global company that addresses its market in highly competitive ways. This is vital when manufacturing industries are evolving so rapidly. We also have positioned ourselves in core businesses that are all on clear growth paths involving, for example, the uptake of Internet of Things ("IoT") smart sensors, electric vehicles ("EV"), medical and factory automation solutions through our proprietary i-ARMS (intelligent automated robotic manufacturing system) which enable the Group to be well positioned in fulfilling and meeting the changing needs of the new decade of technology era.

In spite of the diversity of our Group's products and solutions, one outstanding aspect of these results is that every segment is doing well. As the global technology marketplace evolves, the Group with its constant and committed focus on research and development ("R&D") in customised test equipment and automation solutions is able to cater to a wider spectrum of industry segments which have demonstrated positive results. During the year, the Group continued to witness encouraging progress from the execution of its strategies to diversify its revenue base and exposure to other segments by penetrating into more key premium customers, particularly in the area of automotive, consumer and industrial products as well as the medical devices segment.

The above is a testament to the strength of the management team's mid-term strategy which I am pleased to say is progressing well. One of which is the recent acquisition of TP Concept Sdn. Bhd. ("TP Concept") that has been effectively integrated during 2019 and the benefits of the synergy is materialising as planned.

STRATEGY AND CULTURE

This year, the Group will mark the 25th anniversary of its establishment. Those of us who have the privilege of being part of the Group today are grateful for the *courage and passion* of those who have paved the way and laid the foundation for our Group, being a leading global provider of the advanced automation solutions. The unprecedented speed and magnitude of evolution of technology today demands no less. From the Group's perspective, we have the *courage* to challenge the convention and explore new fields, spot opportunities and take calculated risks to reach our strategic goals. We welcome structural changes and paradigm shifts in the way we approach our short-term priorities and long-term growth objectives. We also have *passion* in believing we can accomplish great aspirations and objectives without hesitating to continuously strive for excellence, doing more with less, being better than yesterday.

With our culture mandate of five key values that has guided my team and I since last year–"*Be fruitful, and multiply, and replenish, and subdue and have dominion*", we want to be *fruitful* that generates good profitability, *multiply* our talent workforce, continue to replenish forefront technology innovation, thrive to *subdue* competition to become a market leader and to have a *dominant* presence in global market as our end goal. This has allowed the Group to earmark on its growth trajectory as we enter into a new decade.

FUTURE POTENTIAL AND GROWTH

The Group is well positioned for the journey to grow its customers base and revenue. With our diverse range of solution offerings, advanced technology, investments in building infrastructure and increase in hiring of skilled engineers in recent years, we have built strong foundation for our future potential and growth. To mitigate any risks, revenue of the Group will have to be well diversified across different industry sectors and geographical locations. The Industry 4.0 revolution presents new opportunities for us to work with different sector of customers for both the automated test equipment ("ATE") and factory automation solutions ("FAS") segments. The ATE segment is expected to continue with its larger portion of revenue and profit contribution to the Group but we expect its contribution rate to ease to approximately 70.0% in 2020. Meanwhile, FAS segment is expected to grow from 15.0% to 30.0% or more for the coming years. With the current shortage of skilled workers, rise in labour costs and requirement for higher technology in manufacturing, such Industry 4.0 technologies are now widely adopted in various areas mainly covering production and supply chain.

In terms of industry sectors for ATE, we expect revenue of the Group from the automotive and medical sectors to grow besides the telecommunications sector. It has been reported that the sales of EVs are expected to accelerate and hence, this will lead to an increase for the demand of automotive power management and power devices. With this growth momentum of EV cars in the automotive industry, we expect the demand for our assembly and test equipment for this segment to grow based on the number of orders the Group secured from new global automotive component companies from Europe, the U.S. and China.

With the acquisition of TP Concept, a company engaged in the design and manufacturing of automation equipment for assembly and test of single use medical devices, the Group has diversified and strengthened its capabilities into the medical segment. We target to grow the medical segment contribution to more than 10.0% of Group's revenue in the coming years.

The manufacturing industry has started to witness the adoption of automation in its industry linkages. However, as the era of Industry 4.0 kicks off, a new wave of automation is set to begin. Against this backdrop, the Group is leveraging on its proprietary factory automation system "i-ARMS" in customising integrated automation solutions though its intelligent material handling system and sophisticated manufacturing execution system ("MES"). So while we see many companies are still learning and adopting the new wave of manufacturing, the huge potential and opportunities in FAS segment will be prevalent and present an opportunity for the Group to play its role in this ecosystem.

Overall, I can conclude that the Group's automation solutions will continue to remain robust and vibrant due to our effort to remain ahead of the curve with prudence and detailed planning in taking up our challenges. At the same time, we are well placed to take advantage of the opportunities that will undoubtedly arise from the increasing demand for automation solutions in the era of Industry 4.0.

My reflections are that the automation industry itself as a whole has learnt quite a few lessons: firstly, the overwhelming importance of catching up with latest technology in manufacturing process; secondly, the need to be aggressive with respect to time-to-market because technologies are evolving so rapidly; and, thirdly, the danger of over-reliance on a single customer or a single industry.

FINANCIAL REVIEW

Revenue of the Group grew by approximately 16.1% from RM422.2 million in 2018 to RM490.1 million in 2019, attaining another record for the Group since its inception. The double-digit growth was achieved amid the challenging environment of the macro front and was driven by the continuously improved contributions from the ATE segment which was partially offset by the slight decrease in revenue from the FAS segment. The ATE and FAS segments constituted approximately 86.2% and 13.2% of the total Group's revenue respectively.

In 2019, the ATE segment continued to contribute the larger portion of revenue and profit to the Group's results. During the year, the ATE segment grew at a double-digit rate of 23.7% to achieve a revenue of RM431.2 million. With the global trade and technology war clouding global growth in 2019, such results from ATE segment is worth noting and commendable. The Group's unique business proposition has tapped into the continuous growth in the demand for smart sensors coupled with its evolving complexity and wider adoption rate across the telecommunications and automotive segments, leading to a demand-driven growth for the Group's smart device test handlers and solutions. Within the telecommunications sector, the Group witnessed delivery of a more diverse and complex portfolio covering, among others, test equipment as well as active alignment assembling equipment for 3D sensor modules encompassing lens, collimator and diffuser optics. These new ATE products and solutions further supplemented the continuous demand for the Group's flagship test solution in ambient and proximity sensors which are customised for the smartphones as well as its peripheral items.

While the telecommunications industry is still dominant within the ATE segment in terms of its revenue contribution, the Group has continuously endeavoured to diversify its revenue base to other segments, in particular, the automotive segment. During the year, the Group's exposure to the automotive segment had generated commendable contribution through the delivery of its test handling equipment mainly for MLCC (multilayer ceramic capacitors), IGBT (insulated-gate bipolar transistor), automotive power management and power devices. Moving forward, the momentum of the Group's exposure in the automotive industry is expected to grow based on the number of orders the Group secured from new global automotive component companies.

Taking into account the current trend where new generation devices typically have a higher turnover rate and shorter time-to-market, the demand for the Group's smart sensor test equipment and solutions remain robust in the coming year, notwithstanding the Group's increasing exposure to the consumer and industrial product segment that is showing positive momentum.

FAS segment experienced a slight decrease in contribution to the Group's results in FY2019 given the timing of project delivery for certain complex projects fell beyond the year end date. Revenue from this segment contracted slightly to RM84.3 million in the financial year 2019 after chalking an impressive 75.6% growth rate in 2018. Nevertheless, the Group is positive in the FAS segment given the prevalence of Industry 4.0 and its advancement into the boundaries of artificial intelligence ("AI"). With the profound shortage of skilled workers, rise in labour costs and requirement for higher precision in manufacturing, the Group is witnessing strong potential and opportunities in various manufacturing stages covering production, procurement, storage and logistics with the aim to reduce the time-to-market interval. Against this backdrop, the Group is leveraging on its proprietary i-ARMS solutions in customising integrated automation solutions through its intelligent material handling system and sophisticated manufacturing execution system ("MES"). Within the year, the FAS segment has secured new customer in the Greater China region for its i-ARMS solutions for delivery in the coming financial year.

Post-acquisition of TP Concept, a company that is involved in the manufacturing and assembling of medical machines and manufacturing of die casting parts, the FAS segment will witness further growth and contribution from the medical segment. The acquisition presents a growing business segment that complements the Group's growth catalyst with positive synergy in value adding to the Group's current products and solutions.

The Group's establishment of the production plant in Batu Kawan, Penang took place at an opportune time to support the above opportunities of the FAS segment. The Group strongly believes on the growing needs for automation and with the current wave of AI and digitalisation, the FAS segment will be well positioned for the Group's growth prospects.

Other income of the Group increased from RM13.2 million in 2018 to RM18.1 million in 2019. This is mainly due to an increase in interest income by RM7.5 million during the year as well as a gain from changes in fair value of foreign currency forward contracts of approximately RM7.2 million recorded in 2019. The gain in the foreign currency forward contracts, arising mainly from the depreciation of U.S. dollar against RM towards the end of the year, was offset by a net loss on foreign exchange of approximately RM5.1 million as recorded under the administrative expenses during the year. This has resulted in a net gain of approximately RM2.1 million recognised on the foreign exchange in 2019.

Administrative expenses of the Group mainly comprised of the movement arising from foreign exchange, professional fees and administrative staff cost. During the year, administrative expenses increased by RM3.6 million from RM46.4 million in 2018 to RM50.0 million. This was mainly due to the following factors:

(i) higher administrative staff cost during the year due to increase in staff incentive and remuneration;

(ii) expected credit loss on receivables of RM3.8 million made during the year (2018: Nil); and

(iii) loss on foreign exchange of RM5.1 million during the year while the Group recorded loss from changes in fair value of foreign currency forward contracts of RM5.3 million in 2018.

The above increase in costs were partially offset by non-recurring listing expenses of RM7.1 million incurred in the first quarter of 2018 where there were no such expenses incurrence during the year.

The Group's sales and receivables were predominantly denominated in U.S. dollar. As part of the Group's treasury policy to manage its foreign exchange exposure, the Group entered into foreign exchange forward contracts to minimise the effects of adverse exchange rate fluctuations on its financials. During the year, the Group recorded a loss on foreign exchange of approximately RM5.1 million under administrative expenses due to the depreciation of U.S. dollar against RM towards the end of 2019. This loss was offset by a gain of RM7.2 million from changes in fair value on foreign currency forward contracts recorded under other income. Effectively, the Group recorded a net gain on foreign exchange of approximately RM2.1 million during the year.

The Group recorded a net profit of RM131.1 million, representing an increase of 29.6% as opposed to an adjusted net profit of RM101.2 million achieved in 2018 after excluding the one-off listing expenses incurred in the first quarter of 2018. Accordingly, the Group's operating profit for 2019 stood at RM139.8 million as compared to an adjusted operating profit of RM107.0 million recorded in 2018, representing an increase of 30.7%. Basic earnings per share rose from 12.03 sen in 2018 to 17.49 sen in 2019.

The Group's financial position continues to remain strong and liquid with a working capital of RM446.2 million as at 31 December 2019 (31 December 2018: RM382.5 million). Net cash generated from operations amounted to RM138.7 million in 2019 as compared to RM74.9 million in the previous year. Correspondingly, cash and cash equivalents increased from RM324.7 million as at 31 December 2018 to RM423.3 million as at 31 December 2019. The overall positive cash flow generated has been the result of the Group's continuous stringent credit policy adopted and maintained as well as healthier operating profit being generated from operations. These surplus funds will continue to form part of the Group's working capital requirements going forward. As at 31 December 2019, the Group had available banking facilities of RM19.5 million in the form of term loan and trade facilities, out of which the Group had utilised RM3.4 million to partly finance the purchase of leasehold land for the Group's new production plant in Batu Kawan, Penang. As at 31 December 2019, the gearing ratio of the Group stood at 0.6% (31 December 2018: 0.8%). Gearing ratio is calculated based on the total debts (finance lease liabilities and bank borrowing) divided by total equity as at the end of each respective year and multiply by 100.0%.

REVENUE
+16.1% (FY2018 : RM422.2 million)
RM490.1 million

PROFIT AFTER TAXATION
+39.4% (FY2018 : RM94.0 million)
RM131.1 million

WORKING CAPITAL
+16.7% (FY2018 : RM382.5 million)
RM446.2 million

BASIC EARNINGS PER SHARE (SEN)
+45.4% (FY2018 : 12.03 sen)
17.49 sen

SHAREHOLDERS' EQUITY
+25.6% (FY2018 : RM474.5 million)
RM595.9 million

During the financial year under review, the Group utilised RM59.8 million from investing activities mainly for the acquisition of additional equity interest in Pentamaster International Limited of RM31.6 million and TP Concept of RM15.4 million. The Group also incurred RM14.1 million capital expenditure for expanding the production area of the production plant in Bayan Lepas, Penang. The Group generated RM21.5 million cash flow from financing activities mainly due to proceeds from disposal of equity interest in Pentamaster International Limited of RM26.6 million.

OPERATIONAL AND FINANCIAL RISKS

Dependence on key management and experienced personnel

Our success and growth is to a significant extent, attributable to the strategies and vision of our Chairman and the contributions of our executive Directors and senior management team, who play significant roles in our Group's day-to–day operations. Whilst we endeavour to provide a competitive remuneration package to our staff and ensure that they are appropriately rewarded, the competition for competent personnel in our industry is intense.

As part of the long term plan to nurture and retain its key management and employees, the Group has undertaken a share award scheme in Pentamaster International Limited in conjunction with its listing in recognising the contributions made by key management and employees as well as to incentivise and retain them for continual operation, growth and future development of the Group. Additionally, the Group continuously grooms younger members of the management staff and other employees to participate in the management of the Group. It is also the current practice of the Group to not depend on one person to perform an important job function to prevent dependency on any particular person. Emphasis is placed on team work and all important projects will have backup personnel.

Risk relating to technological obsolescence

Technology obsolescence is one of our business' inherent risks. The rapid development of technology prompts swift changes in customers' demand and requirements. Our technological products and solutions, may potentially be rendered obsolete due to the rapid evolution and emergence of new and/or substitute technology.

The Group seeks to minimise these risks by actively and continuously pursuing technology innovation and advancement, industry best practices and strategic business alliances to address the increasing sophisticated needs of its customers. The Group also provides continuous staff development to align their skills and knowledge with the requirements of the latest technology in the automation and semiconductor industries.

Continuous efforts are constantly made to increase the efficiencies of the R&D function for the development of new products and to strategically develop a continuing effective and dynamic management team to ensure the continued improvement of the Group's performance. Also, the Group's regular participation in overseas exhibition provides opportunities for us to understand the latest market requirement and keep abreast of current technological changes.

Competition risk

We face keen competition from many international and local competitors of various business scales. Technology, product quality, pricing, proximity to customers, services and breadth of products and/or solutions offered are the key areas of competition for our business. Many of our customers are multinational companies in Malaysia and overseas where the selection of equipment for their manufacturing processes are based on stringent criteria such as high quality automation equipment, good after sales service support, competitive pricing and also dependability of the products.

The Group's R&D effort and value innovation to venture into high-end technology for smart devices and i-ARMS had enabled the Group to achieve its product differentiation in this marketplace. Having our own software development team is also one of the competitive edges against our competitors. Emphasis is also placed on continuous quality checking to ensure the products meet customers' requirement and are of high quality.

Excellent after sales service to our customers has always been the priority of the Group. As the Group's products are customised automation solutions made according to specification required by customers, after sales service is crucial to ensure smooth running of customers' operations.

Intellectual Property

The rights to use the technology behind the various design and manufacturing processes in our business and industry as well as the protection of proprietary knowledge, technology and processes developed by our Group are crucial to our continuous success and development. If our technology is infringed by way of unauthorised copying, use or imitation, our competitive advantage, sales and reputation may be affected.

To mitigate the risk, the Group has submitted applications to register several of its trademarks and affirmed the relevant statutory declarations in respect of the copyrights of certain software products. All the employees are also required to sign a non-disclosure agreement (NDA) to protect the Group's interest.

Financial risk

The Group's financial risks are set out in Note 31 under the notes to the financial statements.

PROSPECTS

Having continuously chalked record-breaking revenue and profit in the past four years, the Group has come a long way in achieving its current result. The Group will not rest on its laurels but will continue to strive and grow positively in the years to come, capitalising on its technical expertise and capabilities that it has built over the years. The Group generally possess an optimistic view of its business momentum in 2020 judging from the current trend and development coupled with its secured orders visibility. In light of the current macro situation that has gripped world economies since 2019, the Group believes technology trends and evolution will continue. The pervasive use of the Information and Communication Technology ("ICT") products in our daily life has led to what is now often referred to as the 4th Industrial Revolution. From internet and smartphones to blockchain technology and the AI, the whole of society seems ready and eager to embrace the latest innovations in the ICT realm. Applications such as 3D, AI, Industry 4.0, IoT, autonomous cars, EV and 5G have become the topics that gather most attention.

Coming into the new decade, the traditional business-as-usual will be overhauled with "Smart Everything" that will result in more people being connected, more global data knowledge to be synchronised and analysed and more robots and automation to challenge the social, political and economic landscape. It has been reported that cities across the world has started adopting 3D facial recognition as the identification process and that sales of EVs are expected to accelerate to account for 57.0% of total car sales mainly due to the tightening of emissions regulations. Meanwhile by 2030, 800 million global workforce will be replaced by robotic automation.

With such onset staring at us, the Group believes in continuously exploring, developing and challenging itself to be a key player in the technology supply chain as we head towards the next decade. The Group will continue to seek potential opportunities that will enhance the Group's value and move itself upwards along the technology value chain that could further solidify and increase its market share and propel the Group to the next growth phase.

From its current product and solution offerings, the Group continue to see huge market opportunities for it to deepen its involvement in the optoelectronics field, catering for a wider adoption of smart sensors in a broader product range and segments. From test handling to assembling, from smartphones to peripherals, from biosecurity to gaming devices, from motion detection to augmented reality, from telecommunications to automotive and to industrial products, the Group has gained exposure into these technology advancements and will continue to gain deeper traction.

Concurrently, the Group is also witnessing significant potential and development in its FAS segment with more and more companies adopting robotic automation as part of its manufacturing process. With precision, efficiency, productivity, big data and digitalisation, coupled with intermediate supply chain disruption such as trade diversion, the Group will continue to leverage on its strong track record and capabilities in furthering its market share and capturing opportunities across different industry segments. It has been reported by Boston Consulting Group that robotic automation share of tasks is expected to grow from the current average rate of 10% to 25% by 2025 in the United States and such share growth opportunity will be more profound in the Asia Pacific region.

Given the prevalence of Industry 4.0 that is currently transforming the manufacturing supply chain, the Group is witnessing huge development in automation and digitalisation that can be stretched in terms of its application to cover the area of logistic and storage. In this context, the Group has initiated another proprietary solution namely i-Hub to create an environment of a smarter and cost effective warehousing and logistic. The warehouse and distribution system of the future will be full of smart and interconnected machines with minimal human intervention. The Group believes the demand for its i-Hub will be positive as it is a fully automated product based on modularity concept that allows for space saving, better traceability, speed enhancement and cost efficiency.

It has been unfortunate and with deep sorrow that the world has witnessed the start of the year and decade with major catastrophes and developments, from Australia bush fires to the outbreak of the novel coronavirus (COVID-19) epidemic. While the Group is closely monitoring these developments closely, it remains steadfast in its business strategies and is committed in its Economic, Environment and Social ("EES") measures to ensure a long term sustainability of the Group's businesses. The Group will continue to strengthen its EES effort and play its vital role as a good corporate citizen.

Going forward, with the global economy facing a confluence of risks, the Group believes strongly in a solid foundation of its business guided by its core values and the importance of its employees that will bring it to the next growth phase. Barring any acute external market conditions and macroeconomic factors, the Group will continue to grow positively in the coming years and the Group will remain constructive in creating value and returns to its shareholders. Acknowledging the only thing that is constant is "Change", the Group will develop organically as well as embarking on opportunities via acquisitions or collaborations that are synergistic to the Group going forward.

DIVIDEND

The Board recommends a final single-tier dividend of RM0.015 per ordinary share amounting to approximately RM7.1 million in respect of the financial year ended 31 December 2019 for shareholders' approval at the forthcoming Annual General Meeting.

Acknowledgement

The Group has shown how it has positioned itself in the world's growing markets and the strength of its balance sheet. However, we will not be complacent about the future and are confident that we will continue to deliver good performance in 2020. All these are possible because we have a good team of management and staff, and I would like to express my heartfelt thanks to them for their continuous commitment and invaluable contribution to the Group, as well as my Board for their dedication, invaluable advice and undivided support over the past year.

My sincere appreciation also goes to our shareholders, customers, agents, business associates, partners, suppliers and the media for their unwavering support and confidence in our Group.

"Commit your way to the Lord; trust in Him and He will do this: He will make your righteous reward shine like the dawn, your vindication like the noon day sun"

Chuah Choon Bin
Chairman

CHUAH CHOON BIN

Non-Executive Chairman

Chuah Choon Bin (male), aged 59, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and was re-designated as the Non-Executive Chairman on 19 December 2017. He currently sits on the Board of Pentamaster International Limited ("PIL") as the Executive Director and Chairman. PIL is a subsidiary of the Company and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 19 January 2018. Mr Chuah also holds directorship in subsidiary companies of PIL.

He is a professional engineer and co-founder of Pentamaster Group. He graduated with a Bachelor Degree (Hons.) and a Master Degree majoring in Electronics and Electrical from University of Auckland, New Zealand.

Prior to setting up of the Group, he served as an Automation Engineer for National Semiconductor and Intel Technology Malaysia. With his vast experience in the design and manufacturing of automation equipment and vision inspection system, he has developed the Group to its present level of success, from a simple automation house to a high technology Group specialising in providing factory automation equipment and systems and information communication technology solutions to industrial and commercial customers.

Under his leadership, the Company was ranked in the top 200 in the Forbes 2019, 2018 & 2017 Best Under a Billion list of companies that are publicly listed in the Asia Pacific region. The Company was also awarded the Highest Return to Shareholders Over Three Years and the Highest Growth in Profit After Taxes Over Three Years for technology sector under The Edge Billion Ringgit Club 2019. Furthermore, the Company has also won Focus Malaysia Best Under Billion Awards 2018 for the Best Revenue Growth, Best Enterprise Value Growth and Overall Winner category; Focus Malaysia Best Under Billion Awards 2017 for the Best Return on Assets category; the Enterprise 50 Award 2002 organised by Accenture and SMIDEC; and Quality Management Excellence Award 2003 for the category of local company with annual sales turnover exceeding RM25 million to RM200 million at the Industry Excellence Award 2003 organised by Ministry of International Trade and Industry. For his personal recognition, he won the First Malaysian Ernst & Young Emerging Entrepreneur of the Year Award Malaysia 2002.

Currently, he is the board chairman of SJK Kwang Hwa Penang School Board and sits on the Board of Penang Charis Hospice Home. He is also appointed to the school board as director for Chung Ling High School and Phor Tay High School.

He does not have any family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences in the past five (5) years.

CHUAH CHONG EWE
Executive Director

Chuah Chong Ewe (male), aged 53, a Malaysian citizen, was appointed to the Board of the Company on 23 June 2015 and is currently the Executive Director.

He is a graduate from University of Malaya with a degree in LLB (Hons). He was admitted to the Malaysian Bar Council on 26 February 1993 and has approximately 19 years of experience in legal practice.

He joined Seal Incorporated Berhad in year 2005 as an Advisor before being promoted as Group CEO. Throughout the years, and with his leadership vision and strategic direction, coupled with his strong legal background, he spearheaded the strategic move and transformational restructuring in Seal Incorporated Berhad from a heavily indebted position into profitable net cash position with diversified earnings base, coupled with an optimal balance sheet structures that is reflective of its book value. He left Seal Incorporated Berhad in October 2014 prior to joining Pentamaster Corporation Berhad. Mr. Chuah is also a Director in Luster Industries Berhad.

He does not have any family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences in the past five (5) years.

LEE KEAN CHEONG
Independent Non-Executive Director

Lee Kean Cheong (male), aged 52, a Malaysian citizen, was appointed to the Board of the Company on 19 December 2017 and is currently the Chairman of the Audit Committee.

He graduated with a Master of Commerce (Management Accounting) from University of New South Wales, Australia and a Bachelor of Commerce from Murdoch University, Australia. He is currently a member of Malaysian Institute of Accountants and Certified Practising Accountants, Australia.

He started his career with Ernst & Young and later moved to commercial sector involving public listed company and multinational corporation. He has more than 20 years of experience in the commerce and financial field, having previously held various senior managerial positions in the commercial sector.

Currently, he is the Partner of an accounting and management consultancy firm and an Independent Non-Executive Director of Teo Guan Lee Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Independent Non-Executive Director of MSM International Ltd, a company listed on Singapore Exchange Securities Trading Limited.

He does not have any family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences in the past five (5) years.

LENG KEAN YONG

Non-Independent Non-Executive Director

Leng Kean Yong (male), aged 45, a Malaysian citizen, was appointed to the Board of the Company on 1 August 2014 and is currently a member of the Audit Committee, Remuneration Committee and the Nominating Committee. On 7 August 2017, Mr Leng was appointed to the Board of PIL as a Non-Executive Director. PIL is a subsidiary of the Company and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 19 January 2018. He is also a member of the Audit Committee and Remuneration Committee of PIL.

Mr Leng has been in the finance and marketing field for over 20 years. He is highly experienced in the areas of business strategy, ranging from financial matters to business planning and marketing. He has successfully executed projects for small-medium sized industries to listed entities on Bursa Malaysia Securities Berhad, the Australian Securities Exchange and The Stock Exchange of Hong Kong Limited as well as projects for Multinational corporations. Such projects encompass IPO exercise, industry research report, the development of a 5-year business plan, marketing strategy blue print, customer relationship management implementation, market entry and feasibility studies, and mergers and acquisitions evaluations.

He was a Director at L3 Consulting Sdn Bhd and Project Director for Synovate Sdn. Bhd. and prior to that, as Senior Manager for ACNielsen Malaysia Sdn. Bhd. ("ACNielsen"). During his tenure at ACNielsen, he was awarded with three (3) ACNielsen awards for his contribution in successfully implementing / executing key strategies for the firm's local operations. He started his career with BBMB Securities Sdn Bhd and he has also advised and managed discretionary fund for private companies and high net worth individuals.

He is a graduate of Western Michigan University (cum laude) with a BBA in Finance. He also holds various other certifications through training and updates in the fields of marketing obtained throughout his career with the various global marketing research consultancy firms.

He does not have any family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences in the past five (5) years.

LOH NAM HOOI

Independent Non-Executive Director

Loh Nam Hooi (male), aged 59, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and is currently the Chairman of the Remuneration Committee and the Nominating Committee. He is also a member of the Audit Committee.

He holds a Bachelor of Commerce (Honour) degree from Carleton University, Ottawa, Canada. Upon his graduation in 1984, he has since been working in a property development company as a Manager. He was a board member of the Penang Water Authority from 1997 to 1999. Prior to that, he was appointed as a Director in Kwong Wah Yit Poh Press Bhd in 1996. He also sits on the board of several private companies.

He does not have any family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences in the past five (5) years.

Hon Tuck Weng

Operation Director

Mr. Hon Tuck Weng ("Mr. Hon") (male), aged 49, a Malaysian citizen, has been the operation director since May 2007 and is primarily responsible for overseeing the daily operation of our management information system, quality assurance and control, facilities and internal control functions. He started his career as the software programmer of Pentamaster Technology (M) Sdn. Bhd. ("Pentamaster Technology") in March 1995. Mr. Hon has more than 25 years of experience in automation solutions industry.

Mr. Hon graduated with a higher diploma in computer studies, moderated and assessed by the University of Humberside in United Kingdom, in September 1993. He later obtained a postgraduate certificate in engineering business management from the University of Warwick, United Kingdom, in June 2011 through a distance learning course.

Gan Pei Joo

Chief Financial Officer

Ms. Gan Pei Joo (female), aged 44, a Malaysian citizen, is currently the chief financial officer and holds directorship in PIL and its subsidiaries (the "PIL Group"). She was appointed to the Board of PIL on 12 June 2017 and was re-designated as Executive Director of PIL on 5 September 2017. She is primarily responsible for the overall management, corporate affairs, finance, treasury, control functions and budgeting of the PIL Group.

She commenced her career at PricewaterhouseCoopers in 2000 and was last served as a senior associate in 2003 after having acquired extensive auditing and consulting exposure to companies in various industries. She joined the Group as the group accountant in 2003 and held various positions prior to her promotion as the group financial controller in 2009. She was appointed to the Board of the Company in March 2014 and resigned from the Board in December 2017 as part of restructuring of the Board of the Company in preparation for the listing of PIL on the Main Board of The Stock Exchange of Hong Kong Limited.

She graduated with a bachelor's degree of commerce majoring in accounting from Curtin University of Technology, Perth, Australia in February 1999. She was admitted as a member of the Certified Practising Accountants, Australia and a Chartered Accountant from the Malaysian Institute of Accountants in July and November 2002, respectively.

Teoh Siow Khiang

Senior General Manager

Mr. Teoh Siow Khiang ("Mr. Teoh") (male), aged 63, a Malaysian citizen, has been the senior general manager of Pentamaster Instrumentation Sdn. Bhd. ("Pentamaster Instrumentation") since January 2017. He is primarily responsible for overseeing the daily operations of Pentamaster Instrumentation. He joined as a general manager of Pentamaster Instrumentation in January 2006.

He started his career with Hitachi Semiconductor Sdn. Bhd. as a TTL & CMOS IC test Engineer in 1983. He later joined Hewlett Packard as a LED test specialist engineer and expanded the role to be R&D Engineer in LED development. In 1999, he joined the Agilent Technology, a spin-off of Hewlett Packard Company, as an Instrument NPI engineering manager. He was in the pioneer team in setting up the electronics measurement instrument manufacturing operation in Penang. He was subsequently promoted to senior manager.

Mr. Teoh obtained an honours class bachelor's degree of engineering majoring in electrical and a master's degree of engineering from University of Malaya in June 1982 and July 1991, respectively.

Teh Eng Chuan

Chief Operating Officer – automated test equipment division

Mr. Teh Eng Chuan ("Mr. Teh") (male), aged 46, a Malaysian citizen, has been the chief operating officer of Pentamaster Technology (M) Sdn. Bhd. ("Pentamaster Technology") since January 2015. Mr. Teh is primarily responsible for overseeing the daily operations of Pentamaster Technology. He joined as a vision software engineer of Pentamaster Technology in January 1996 and has over 20 years of experience in the machine vision, design and control. Mr. Teh completed a course of higher diploma in computer science in Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in April 1995.

Ng Chin Keng

Chief Operating Officer – factory automation solutions division

Mr. Ng Chin Keng ("Mr. Ng") (male), aged 41, a Malaysian citizen, has been the chief operating officer of Pentamaster Equipment Manufacturing Sdn. Bhd. ("Pentamaster Equipment") since January 2015. Mr. Ng is primarily responsible for overseeing the daily operations of Pentamaster Equipment. He joined as an automation software programmer in January 2000. Mr. Ng obtained a bachelor's degree of science in computing and information systems with honours from University of Lincolnshire & Humberside, United Kingdom, in July 2001.

You Chin Teik

Vice President of New Business Development

Mr. You Chin Teik ("Mr. You") (male), aged 43, a Malaysian citizen, is the vice president of new business development and is primarily responsible for overseeing the research and development activities of our Group. He joined our Group as a vision engineer in January 1998. Mr. You obtained a higher diploma in computer studies from Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in February 1998. He later obtained a degree of master of business administration from University of South Australia, Australia, in March 2009 through a distance learning course.

Notes:-

The above Key Senior Management members have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company, have no directorship in any public companies and listed issuers and have not been convicted of any offences within the past five years.

SUSTAINABILITY STATEMENT

1) INTRODUCTION

Pentamaster Corporation Berhad is pleased to present its Sustainability Statement, covering the economic, environmental and social ("EES") impacts, policies and initiatives of the Company and the Group for the year ended 31 December 2019. This report is prepared in accordance with Part III of Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Group is committed to ensuring long term sustainability of the Group's businesses by embedding various EES measures in the Group's business operations.

2) EES APPROACH

The Group conducts its business activities ethically, in compliance with applicable laws and regulations.

The Group's EES strategy is determined at the board (the "Board") of directors (the "Directors") of the Company level which provides oversight of our EES performance. We have established a process to collect data, monitor and report key EES matters. The quarterly reporting cycle has also been established internally. We have set up a repository to retain all information collected, which is required for our EES reporting. In 2019, the Group has a planned program that has incorporated selected EES awareness and briefings to create a better understanding of what it has to take to adopt an effective EES measure for the Group.

In 2019, our EES reporting includes the reporting data from the newly acquired subsidiary, TP Concept.

3) SUSTAINABILITY APPROACH

Creating and delivering sustainable values to the Group's stakeholders are fundamental to ensure the success of our business. We are committed to support the communities in which we operate in, reduce the negative environmental impact, develop sustainable products, monitor our supply chain, ensure customer satisfaction and support employees' development.

We maintain a high standard of governance that is important for our business in the long run. As at 31 December 2019, the Group has (5) five directors. Out of the (5) five, (4) four are non-executive directors, of which (2) two are independent non-executive directors. All our board members have wide range of professional experience, contributing to the effectiveness of the Group business direction.

The Board is responsible to ensure good corporate governance. One of the Board functions is to provide independent and effective leadership to supervise the management of the Group's business and affairs, and to grow responsibly in a profitable and sustainable manner that is in the best interest of our stakeholders. The Board also develops and reviews the Group's policies and practices on corporate governance including the Group's internal control and risk management framework.

The EES monitoring is spearheaded by a dedicated EES committee comprising members from different functional groups. This committee reviews and monitors the Group's EES policies and practices on a regular basis, ensuring compliance with legal and regulatory requirements. It is led by the Group's Chief Financial Officer who reports to the Chairman. The EES committee also regularly compiles and updates information on the EES aspects of the business, such as matters relating to sustainability risks, sustainability management performances as well as recommendations and follow-up measures.

The Group has in place code of business conduct governing amongst others, issues relating to anti-corruption, insider trading, workplace harassment and discrimination, unfair treatment and conflicts of interests. Our code of business conduct applies to all employees.

3) SUSTAINABILITY APPROACH (CONT'D)

The Board has also established a risk management committee which comprises the Chairman, Chief Financial Officer and senior management to assist in monitoring the risk management process within the Group and is responsible for the establishment and the maintenance of a framework of risk management for the Group. Our risk management committee conducts meeting at least once a year. Our risk management and internal control system covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. With these, we have a clear overview of the adequacy and effectiveness of our internal controls and risk management system that would enhance our resilience and minimise the impact of any disruption to our business operations.

Further details of the Group's corporate governance practices can be referred to the Corporate Governance Overview Statement of this Annual Report.

4) STAKEHOLDERS & MATERIAL SUSTAINABILITY MATTERS

Stakeholders are defined as parties that have interest in the Group and can either affect or be affected by the Group's business activities. We conduct periodic engagement with our various stakeholders because we recognise that their perspectives may be important in helping the Group to prioritise the actions for continuous sustainability improvement of the Group.

The following table summarises the Group's key stakeholders and how the Group engages them:

Stakeholders	Method of Engagement
Shareholders	• General Meetings (Annual/Extraordinary) • Corporate communication and investor relations
Employees	• Employees briefings • Open communication via internal channels such as in-house emails, memos and open door policy
Customers	• Customers' surveys and feedbacks • Face to face meetings • Official websites
Suppliers	• Suppliers' audit • Suppliers' feedbacks • Suppliers' meetings • New suppliers evaluation procedure
Government and Regulatory Authorities	• Compliance with regulatory legislative framework • Workshops and seminar organised by relevant regulatory authorities
Communities	• Meeting with local communities

5) ECONOMIC

Ethics and conducts

The Group has in place a Code of Ethics and Conduct which sets out principles and standards governing the way we conduct business. The Group and its employees endeavors to conduct its business in compliance with applicable laws, rules and regulations and in accordance with high ethical principles and standards.

To facilitate the development of controls that will aid in the detection and prevention of fraud, the Group has in place a Code of Conduct for its employees. It is the intent of the Group to promote consistent organisational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

5) ECONOMIC (CONT'D)

Ethics and conducts (cont'd)

The Group is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the Group expects and encourages its employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Group to come forward and voice those concerns. While the Group could not guarantee that the outcome of any ensuing investigations would satisfy those who raised the concerns, the Group will endeavour to respond to the concerns fairly and properly.

Employees are also encouraged to make a whistleblowing report verbally or in writing to the whistleblowing reporting line, in the event of misconduct or suspected misconduct.

Quality product delivery

We strive to continuously improve the effectiveness of our quality management system and maintain the quality of our products. At the same time, the Group is committed to deliver our end products on a timely manner to our customers. Subsidiaries of the Company have been certified with the ISO 9001:2015. Furthermore, our production plant at Batu Kawan is equipped with a clean room ISO Class 9 environment, a prerequisite for a number of potential customers in the medical device sector to facilitate our diversification into this sector.

Branding and reputation

Our Group's intellectual properties are valuable assets to us and our operations in anchoring the Group's reputation. To date, we had *(i) four trademarks and three patents registered in Malaysia; (ii) two patents registered in the U.S.; and (iii) two trademarks and one patent registered in the PRC*.

Further to the above, the Group has clinched the following awards in 2019, marking a milestone for the Group in its branding:

1) Asia's 200 Best Under A Billion 2019 by Forbes; and

2) Malaysia's The Edge Billion Ringgit Club 2019 by The Edge Malaysia in the category of highest return to shareholders over three years (technology) and highest growth in profit after tax over three years (technology).

Local ecosystem diversity and contribution to local supply chain

The Group considers the importance of local technology supply chain as a factor to sustain the economic development in the entire ecosystem. Managing local supply chain will provide, among others the following benefits to the local community:

1) Create job opportunity;

2) Increase the diversity and efficiency of supply chain; and

3) Allow cost of production to be managed more effectively.

Furthermore, as part of the Group's initiatives to improve supply chain ecosystem in Malaysia, the Group via its subsidiary Pentamaster Technology (M) Sdn. Bhd., had on 16 January 2017, entered into a joint venture shareholders' agreement with Vitrox Corporation Berhad and Walta Engineering Sdn. Bhd. to establish a joint venture company known as Penang Automation Cluster Sdn. Bhd ("PAC"). The joint venture is expected to build a robust and reliable supply chain ecosystem in Malaysia that supports the community's long-term strategic growth. PAC started their operation in second half of 2019.

6) ENVIRONMENTAL

The Group understands the importance of EES matters. The Group takes measures to protect the environment in which we operate through the implementation of an environmental management system at our factory.

In 2019, the Group has strictly complied with relevant environmental laws and regulations relating to emissions of greenhouse gas ("GHG") and generation of hazardous and non-hazardous waste in Malaysia. The Group is not aware of any material non-compliance of the relevant environmental laws and regulations that have a significant impact on the Group.

Emission

In 2019, the Group's total emissions are summarised in table below:

Emission	Breakdown	Unit	31 December 2019		31 December 2018	
			Amount	Intensity[1]	Amount	Intensity[1]
GHG	Direct	*NO_x, SO_x and PM (tonnes)*	1.03	0.0021	0.87	0.0021
	Indirect	*CO_2e (tonnes)*	3,327.75	6.7899	2,572.75	6.0937
Hazardous waste	Industrial wastage	*tonnes*	0.24	0.0005	0.24	0.0006
Non-hazardous waste	Solid wastage	*tonnes*	114.42	0.2335	168.90	0.4000

Notes:

(1) *Intensity of emissions is calculated based on the amount of emission divided by the Group's revenue (MYR' million) in 2019 and 2018 respectively.*

(2) *The above key indicators are not independently audited or verified, and it's not part of the audited financial statements.*

Based on our experience of more than 20 years, the Group takes proactive measures to minimise emission. Product design takes into account on how resources could be maximised without producing unnecessary wastage and emission. Simultaneously, new products will be assessed according to specific customer requirements, including improvement in product design.

The Group monitors closely both hazardous and non-hazardous wastages. The Group's products are mainly solution customised according to customers' specific need. To ensure that wastages are minimised, the Group only starts material procurement, assembly and programming once our suggested solution is approved by the Group's customers. The Group's quality assurance also helps in managing the reliability and quality of our products so we could prevent both wastages and non-compliance.

Hazardous wastages such as electronics waste, dry cells, printing cartridges and spoilt lightings are stored in the storage room prior to collection by a certified supplier that the Group engages regularly. Non-hazardous wastages were collected and stored safely before being collected for disposal from the factory premises.

Use of Resources

As one of the global players that delivers high value-added integrated products and customised solutions at competitive price, the Group takes responsibility to ensure that any potential adverse impact of our operations on the environment are identified and addressed accordingly. The Group is well aware of climate change issues due to global warming and is committed to address it through the reduction of energy consumption and carbon emission. To further promote this exercise, a corporate-level committee has been set up for a number of years to drive the energy consumption reduction programs.

6) ENVIRONMENTAL (CONT'D)

Use of Resources (cont'd)

Some of the actions we have taken, have made significant improvements on energy efficiency, including:

(i) replacement of all lightings to energy-efficient LED to reduce energy consumption;

(ii) installation of smart sensors in the factory to control our electricity usage such as lighting;

(iii) installation of rainwater harvesting system; and

(iv) reminder to employees to play a significant part in energy efficiency.

As a result of the above initiatives, the Group has enjoyed reduction in the cost of replacing light tubes as the LED lights have longer lifetime. Further, it reduces the hazardous wastages (i.e. light tubes).

The Group strives to reduce unnecessary usage of resources from time to time. In 2019, the Group has implemented more initiatives to reduce paper wastages such as going paperless during Board meetings. Prior to 2019, certain efforts to support paperless initiatives include approval on the system without the need for hardcopy printout.

The Group was not aware of any incident of non-compliance in 2019 with the relevant laws and regulations relating to environmental protection in the countries in which we operate that would have a significant impact on the Group.

In 2019, the Group's total use of resources are summarised in the table below:

			31 December 2019		31 December 2018	
Resources	**Item**	**Unit**	**Amount**	**Intensity[1]**	**Amount**	**Intensity[1]**
Energy[a]	Electricity	*kWh'000*	4,095.46	8.3563	3,157.29	7.4782
Water[b]	Water	*m^3*	64,559.56	131.7260	55,808.00	132.1835
Others[c]	Packing Materials	*tonnes*	114.42	0.2335	168.90	0.4000
	Papers	*tonnes*	2.58	0.0053	3.76	0.0089

Notes:

[1] *Intensity of resources used is calculated based on the amount of resources used divided by the Group's revenue (MYR' million) in 2019 and 2018 respectively.*

[2] *The above key indicators are not independently audited or verified, and it's not part of the audited financial statements.*

[a] *Electricity is mainly consumed by the Group for operation and office use. The significant increase in electricity usage in 2019 was mainly due to acquisition of TP Concept.*

[b] *Water is mainly for office use. The Group strives to minimise water consumption by monitoring usage of water regularly. We have also encouraged our employees to increase the awareness of environmental protection through water conservation. The Group did not encounter any issue in sourcing water. The significant increase in water usage in 2019 was mainly due to acquisition of TP Concept.*

[c] *Our usage of other resources consists of paper which was mainly for office use and packing materials for our products.*

The Group constantly encourages the employees to minimise the use of paper via the following initiatives:
(i) Encouraging employees to print less and/or print double-sided and/or print using recycled paper;
(ii) Using non-paper visuals during meeting; and
(iii) Using electronic approval.

The Group also takes initiatives by using recycled packaging materials from suppliers.

6) ENVIRONMENTAL (CONT'D)

Environmental and Natural Resources

The Group does not engage in any activities that has direct or significant impact on the natural resources in the course of our business operation.

In considering potential threats of climate change to the communities, the Group has made steady progress in reducing its carbon footprints across its businesses. Emissions of GHG by the Group are mainly contributed by the consumption of electricity of machineries. Routine inspection on the power supply is carried out to minimise the breakdown of machineries which in turn reduce production wastage and consumption of electricity.

Apart from the above, we employ multiple ways to reduce GHG such as installation of smart sensors in the factory building to control our electricity usage and encourage our staffs to minimise electricity usage. We also encourage our employees to take direct flights as opposed to taking transit flights as a way to reduce carbon emission.

Our new production plant in Batu Kawan, Penang includes a few smart sensors which are capable of controlling our electricity usage effectively and at the same time, increase production efficiency.

In addition to the measures above, the Group has also, implemented the following initiatives:

(i) 3R Concepts (Reduce, Reuse and Recycle)

The Group remains committed to ensuring that it plays its role in sustaining a greener environment. During the year under review, the Group continued with the recycling and waste management initiative where recycle bins are provided to spur waste segregation for proper recycling and disposal purposes. The same initiatives of putting recycle bins are adopted in our new production plant in Batu Kawan, Penang. Our employees are educated on the concept of "Reduce, Reuse and Recycle" which is an excellent way of saving energy and conserving the environment.

(ii) "Cost With No Waste" initiative

The Group is committed to make efficient use of its resources by not producing unnecessary wastage. The Group has implemented "Cost With No Waste" initiative since 2016 in reducing unnecessary wastage and impact in the ecosystem where it operates in.

7) SOCIAL

Employees

The Group is committed to the well-being of our employees who had played a major role in driving the growth of the Group over the years. We promote and foster conducive working environment such as open communication policy, so our employees stay motivated. Our employees are encouraged to be innovative to help foster interesting working environment.

Our employees are strictly bound by the Group's code of conduct which reflects the Group's culture and serves as a guide for our directors, managers and employees in their daily activities. It describes the values, principles and practices that guide our business conduct in the Group. This code of conduct reflects the objective of management to reinforce wide ethical standards to sustain a work environment that fosters integrity, care, respect and professionalism.

7) SOCIAL (CONT'D)

Employees (cont'd)

There are equal opportunities for employment and promotion for all staff at all levels. The Group believes that, regardless of gender, ethnicity, age, religious beliefs, nationality, marital status, sexual orientation and/or other aspects, employees can make significant contributions based on their merits, expertise, experience and dedication. The Group also offers equal employment opportunity to employees with certain disabilities and does not discriminate them from career advancement. To date, The Group has hired a few employees with certain disabilities. In addition, the Group has zero tolerance towards sexual harassment in the workplace and does not condone any of such unlawful acts. We did not receive any report pertaining to any sexual harassment incident in 2019.

The Group has a well-structured and open annual performance appraisal system. Remuneration plays an integral part in the successful delivery of the Group's strategic objectives. Attracting, retaining and motivating talent is central to our remuneration strategy. Remuneration is benchmarked against the industry market rate and commensurate with individual qualification, working experience and ability. Salary and career development reviews are conducted on an annual basis to ensure competitiveness. Discretionary bonus and incentive shares are granted to eligible employees based on the Group's financial results and individual performance. Other employees' benefits include contributions to mandatory contribution to employees' provident fund and medical subsidies.

As of 31 December 2019, including workforce from the newly acquired subsidiary TP Concept, the Group had a total workforce of 591, of which 18.1% were female. In the event the workforce from TP Concept is excluded, the total workforce of the Group would be 542, of which 17.5% were female.

Total employment by age group and geographical region

	Below 30	30 to 49	50 and above	Total
Malaysia	49.5%	41.5%	3.5%	**94.5%**
Others	1.9%	3.6%	-	**5.5%**
Total	51.4%	45.1%	3.5%	**100.0%**

Total employment by employment type

	Permanent	Contract	Total
Malaysia	91.6%	3.0%	**94.6%**
Others	5.2%	0.2%	**5.4%**
Total	96.8%	3.2%	**100.0%**

Employee turnover rate

	Below 30	30 to 49	50 and above	Total
Malaysia	8.0%	3.0%	-	**11.0%**
Others	-	0.2%	-	**0.2%**
Total	**8.0%**	**3.2%**	-	**11.2%**

In 2019, the Group has strictly complied with employment laws and regulations such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The Group is not aware of any material non-compliance of the employment laws and regulations that have a significant impact on the Group, and was not subject to any punishment by the government and was not involved in any lawsuit related to employment.

7) SOCIAL (CONT'D)

Health and Safety

The Group is committed to provide and maintain a healthy and safe working environment for its employees. Occupational Safety and Health Committees ("OSHA") organised quarterly safety audit and ensure continuous health and safety improvements in all of the Group's business operations. Training sessions including emergency first-aid are provided to emergency response team and employee safety and health Committee, and fire drill is carried out at least once a year within the Group's premise.

As required by the relevant laws and regulations in Malaysia, we have OSHA to review the health and safety matters from time to time to oversee safety in the work environment and conduct regular internal meetings to discuss safety issues, review any recent industrial accidents and design any required remedial actions. An emergency response team was set up under purview of the OSHA to ensure that a quick response will be available to our people in the event of an emergency. Members of the team are given training on the use of first aid to be taken in the event of emergency.

In 2019, the Group has strictly complied with relevant laws and regulations relating to safe working environment and protecting employees from occupational hazards in the Group's factory located in Malaysia. The Group is not aware of any material non-compliance of the relevant health and safety laws and regulations that have a significant impact on the Group and was not subject to any punishment by the government and was not involved in any lawsuit related to health and safety. During the year under review, the Group does not have any case of work injury (2018: (1) one case of work injury).

Development and Training

The welfare of the employees is also of paramount importance to the Group. To improve job performance and enhance job satisfaction, the Group constantly upgrades the employees' skills, knowledge and experience by regularly organising external and internal training programmes. In 2019, the Group's employees ranging from senior management, engineers and administrative staffs had attended a total of more than 300 hours of training, that includes :

(i) Geometric, Dimensioning & Tolerancing (GD&T);

(ii) Design & Selection of Engineering Material;

(iii) ISO 9005:2015 Interpretation and Application;

(iv) Flexsim 3D Modelling & Process Flow; and

(v) Installation & Maintenance of Uninterruptible Power Supply And Capacitor Bank.

The Directors recognise the need to continue to undergo relevant training programs to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation as a board member. During the year under review, all Directors participated actively in continuous professional development which includes, among others, seminars, conferences, in-house trainings etc.

Labour Standards

The Group has guidelines setting the procedures and standards on recruitment by the management and human resource team to ensure that it complies with local employment regulations. The guidelines are reviewed on a regular basis so as to ensure the consistency with any update of the relevant rules and regulations in all locations of our operations.

In 2019, the Group has strictly complied with the local employment laws and regulations and does not engage in any child or forced labour.

8) OPERATING PRACTICES

Supply Chain Management

We are committed in ensuring a good supply chain management system and a good procurement practice. Our procurement process encourages fair competition and applies a high level of objectivity and impartiality in supplier selection. Suppliers are selected mainly based on their financial stability, services, sustainability of supply, prices and management system. Together with our partners and more than 600 suppliers worldwide, we constantly look into improving our supply chain management processes to bring about a sustainable experience for our customers.

We believe in building close and long-lasting relationships with our partners and suppliers based on common ground and shared values. Hence, we expect all our vendors to adhere to the same high standards for ethics, labour rights, health and safety, and the environment that we set for ourselves.

The Group had, as part of the initiatives to improve supply chain ecosystem in Malaysia, entered into a JV via PAC to build a robust and reliable supply chain ecosystem in Malaysia that supports the Group's long-term strategic growth as described under Section 5 of the Sustainability Statement in this Annual Report.

Product Responsibility

The Group, recognised as one of the renowned players that has worked with some of the top global companies, dedicates itself to ensure the safety of our products to our customers. We are committed to protect our environment while at the same time improve our production and cost efficiency. We aim to continuously deliver outstanding customised solution to our customers. We also aim to minimise potential harm to the environment.

In line with our business model, which focuses on core technology, continuous innovation and provision of customised high value-add technology products and solutions to our customers, a project team with members selected based on their relevant expertise and experience is formed for each project. In general, a project team consists of a project manager, production engineers and design engineers with expertise in areas such as robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming. The project manager is also actively engaged with the customer to ensure the accuracy and quality of our solutions.

A project may originate from a customer's enquiry or at our internal development initiative to introduce new products and solutions to existing or potential customers. Based on client's requirement, we form a project team including engineers with expertise in relevant areas to come up with a conceptual proposal. The proposal is subject to further discussion and alignment before finalisation. In the event that the customer agrees with our conceptual proposal, a formal quotation is prepared based on our internal cost structure and profit margin determined by our management team based on product category in terms of technology involved, customer profile and historical patterns, if any.

To control the quality of our products and solutions, we only purchase from our approved suppliers who can meet our quality standards with on-time delivery record. Quality check of incoming materials is mandatory for fabrication parts, sheet metal parts and critical components. Once the machine and software are integrated, the project team examines the functionality by running and testing the products. The project team fine-tunes and aligns the products to ensure its functionality is in conformance with customer's specification.

In relation to our intellectual property or proposed solutions, security measures and confidentiality as well as non-disclosure agreements are implemented to maintain the confidentiality of proprietary information belonging to the Group and our customers. Non-disclosure agreements relating to collaborations with third parties are reviewed by the Company's legal team to protect the intellectual property. We also protect our stakeholders' data by ensuring data is only accessible to team members in charged while the team members' conduct is governed by our code of conduct.

8) OPERATING PRACTICES (CONT'D)

Product Responsibility (cont'd)

In 2019, the Group was not aware of any incident of non-compliance with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters in respect of the use of the Group's products and services that would have a significant impact on the Group. We were also not aware of any material infringements by us of any intellectual property rights owned by third parties or by any third parties of any intellectual property rights owned by us.

Anti-corruption

Our written code of conduct is in place to allow the Group to maintain high ethical standards and a workplace free from corruption.

All employees are expected to discharge their duties with integrity and to follow relevant local laws and regulations. The Group monitors closely the conduct of its management staff to prevent wrong-doings among the Board, senior management and staff, such as prohibiting transfer of benefits while considering new customers, suppliers or any project investment.

The Group has a whistle blowing policy in place together with whistle blowing hotline. Any person may report allegations of suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Group, the Group's customers, shareholders, employees, investors or the public at large. The Group encourages each employee to speak up if there's any case of suspected corruption or bribery.

During the year under review, the Group has strictly complied with relevant anti-corruption laws and regulations relating to bribery, extortion, fraud and money laundering and the Group was not aware of any incidents on non-compliance with relevant laws and regulations.

Support and contribution to communities

Our responsibility to the community we live in goes beyond fulfilling a corporate obligation—it is a commitment we make because we truly believe we owe a large part of our success to the society in which we operate. In giving back, we pay special attention to the less privileged segment of our society.

The Group's initiatives are carried out by a community care manager whose core function is to identify causes where we can best contribute and effectively support. We have stepped forward to organise tuition classes at no cost, for students from underprivileged families. In addition to this, the less well-off are provided with food allowance as a means to alleviate their cost of living.

During the year, the Group made donations to Metro World Child, a global humanitarian organisation dedicated to serving children throughout various urban centres and rural communities around the world. Closer to home, the Group also made financial contributions to various organisations, orphanages and hospitals in the north region of Malaysia, among them Charis Hospice (Penang) and Federation of Malaysian Thalassaemia Societies (FMTS). Charis Hospice (Penang) is a non-profit organisation that offers free palliative home care services to patients with cancer and other advanced illnesses in Penang Island while FMTS provides support to thalassaemia patients.

In line with our belief that education is the key to the long-term betterment of life, we have financially supported several schools, including SMJK Heng Ee, Han Chiang High School, Kwang Hwa School, Chung Ling High School and SJK(C) Li Tek, as well as the Penang STEM StepUp Initiative. The StepUp Initiative is a programme aimed at sparking the interests of lower secondary students in learning STEM (science, technology, engineering and mathematics) and inspiring them to pursue higher studies and future careers in related fields.

8) OPERATING PRACTICES (CONT'D)

Support and contribution to communities (cont'd)

The Group was also a sponsor for the Bursa Bull Charge 2019 Charity Run, an event organised by Bursa Malaysia aimed at raising funds to promote financial literacy and entrepreneurship as well as to help improve the environment and the lives of underprivileged communities.

We continue to support our internship program, providing industrial training to students from universities, colleges, polytechnics and other technical/vocational institutions, and have hosted education visits from various learnings institutions and schools, such as Universiti Utara Malaysia, University Teknologi Mara and Chung Ling High School, during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors recognises the importance of good corporate governance and the need to ensure that it is observed and practised throughout the Group. It strives to continually improve and comply with the principles and recommendations on corporate governance as articulated in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").

This Statement sets out the details on how the Group has applied the Principles and Recommendations mentioned above.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is responsible for guiding and monitoring the Company on behalf of its shareholders. The Board has adopted a Board Charter that sets out the division of responsibilities between the Executive Directors, the Non-Executive Directors and the management team. The Board delegates the day-to-day management of the business to the Executive Directors and the management team. However, certain functions are specifically reserved for the Board which include the following:

- in conjunction with management, establishing a vision and strategies for the Group;
- approving the Group's annual business plan and budget;
- approving specific items of material capital expenditure and investments and disinvestments;
- appointing Directors to the Board;
- appointing and approving the terms and conditions of appointment of Executive Directors;
- approving any significant changes to accounting policies;
- approving the quarterly financial statements;
- approving the annual financial statements;
- approving any interim dividends and recommending any final dividends to shareholders;
- approving all circulars, statements and corresponding documents sent to shareholders;
- approving the terms of reference and membership of Board Committees; and
- approving Company policies which may be developed from time to time.

Roles and responsibilities

In fulfilling its function, the Board assumes, among others, the following responsibilities:

- Providing leadership and strategic directions for the Group
- Overseeing the proper conduct of the business
- Ensuring prudent and effective controls and risk management system
- Reviewing the performance of management
- Overseeing the development and implementation of shareholder communication policy

In looking into future growth, the Group continues to grow its customer base into industries other than the semiconductor industry by leveraging on its core competencies in providing automation solution. This strategy of customer risk diversification and penetration into other industries is a risk strategy to mitigate against the highly cyclical nature of the semiconductor industry and also to ensure that the Group's earnings is not too dependent on a single industry.

The Board continues to monitor the execution of the strategies adopted to grow its customer base and diversify into other industries by leveraging on its core competencies. This strategy which is delegated to the Executive Directors to implement is reported back to the Board on a periodical basis. In executing the strategy, the Board will constantly advise management to be mindful of inventory levels and credit risks on receivables. The Board monitors these two important areas regularly at its quarterly meetings. The Audit Committee assists the Board to monitor other areas of internal control over material areas of the Group's operations through the internal audit function. Areas of concern and recommendations put forward by the internal auditors are reported back to the Audit Committee and the Board for appropriate action to be taken.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Sustainability

In setting the Group's overall business strategy, the Board took into consideration and implemented strategies and practices that would promote sustainable growth for the Group. These strategies are integrated into the Group's sustainability practices which cover economic, environment, and social areas. The efforts of the Group in these areas are set out in the Sustainability Statement in this Annual Report.

Separation of position of Chairman and Executive Director

The Non-Executive Chairman is responsible for the conduct of Board meetings and ensures that Board discussions are conducted in a manner that all views are taken into account before a decision is made. The Executive Director has the general responsibility for day-to-day running of the Group's business, implementation of Board policies and making of operational decisions duly assisted by the Management team. The positions of the Non-Executive Chairman and the Executive Director are held by different individuals.

Company Secretary

The Directors have direct access to the advice and the services of the Company Secretaries to enable them to discharge their duties. The Company Secretaries update the Directors periodically when new statutes and requirements are issued by the regulatory authorities to ensure that the Directors are aware of regulatory developments that affect them in carrying out their responsibilities. The Company Secretaries also make announcements to Bursa Malaysia Securities Berhad ("Bursa Malaysia") on behalf of the Company and brief the Board on proposed contents of material announcements prior to their release.

The Company Secretaries convene all Board meetings and at least one of them attends all Board meetings to ensure that Board procedures are followed and accurate records of the proceedings and resolutions passed are maintained. The Company Secretaries also ensure that the statutory registers are properly maintained at the registered office of the Company. The Board believes that the current Company Secretaries who are qualified and experienced are capable of carrying out their duties to assist the Board in ensuring adherence to Board policies and procedures.

Access to information and advice

All Directors have full and timely access to information with Board papers distributed in advance of meetings. Agenda and discussion papers, including quarterly and annual financial statements, minutes of meetings and Board papers which include reports relevant to the issues of the meetings covering the areas of strategic, financial and operational matters are normally circulated one week prior to Board Meetings to allow the Directors to study and evaluate the matters to be discussed.

If required, the Directors may take independent professional advice in the furtherance of their duties at the Company's expense. Before incurring the professional fee, the concerned Director must seek the approval of the Board. The Directors may access all information within the Group in furtherance of their duties.

Board Charter

The Board has formally adopted a Board Charter which provides guidance to the Board in the fulfillment of its roles, duties and responsibilities which are in line with relevant legislations, regulations and the principles of good corporate governance. The Board Charter outlines the composition and structure of the Board, the appointment of new Directors to the Board, the Board's powers duties and responsibilities including the division of responsibilities between executive and non-executive directors and management, establishment of Board Committees, remuneration of Directors and processes and procedures for convening Board meetings. The Board Charter also underlines the Board's commitment to the compliance with laws, regulations and its internal Code of Ethics. The Board Charter is subject to periodic review and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as changes to legislations and regulations. The Board Charter is available on the Company's website at http://www.pentamaster.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Code of conduct

The Board is committed to uphold compliance with relevant requirements of laws, the Company's Constitution and the Listing Requirements of Bursa Malaysia ("Listing Requirements") in the conduct of the business of the Company. In addition, the Directors observe a Code of Ethics, which was developed by the Board based substantially on the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. The Directors' Code of Ethics is available on the Company's website at http://www.pentamaster.com.my.

Similarly, the Group has in place a code of conduct which is applied to the Group's employees. The code of conduct for employees documented policies and guidelines within the Group covering the conduct of employees to comply with laws and regulations when they carry out their duties and responsibilities. The Code of Conduct for employees is available on the Company's website at http://www.pentamaster.com.my.

Whistleblowing policy

The Board recognises the importance of whistle blowing where a programme has been introduced for the employees to channel concerns about illegal or unethical business conduct affecting the Company. If an employee has concerns about illegal or unethical business conduct in the work place, the concern may be reported to the appropriate channel and the outcome reported at the Audit Committee meetings.

II. Board Composition

The Board presently has five (5) members which consists of one (1) Executive Director, two (2) Non-Executive Director and two (2) Independent Non-Executive Directors after the re-designation of Mr. Leng Kean Yong from Independent Non-Executive Director to Non-Executive Director on 18 March 2020. Under the recommendation of MCCG 2017, at least half of the Board should comprise Independent Directors. The Board will look into bringing its composition to be in line with the recommendation under MCCG 2017.

Given the nature and scope of the Group's operations, the Board considers that the current composition of the Board is of the appropriate size and with the right mix of skills and experience in meeting the Group's current needs and requirements. A profile of each Director is presented on pages 11 to 13 of this Annual Report.

Annual assessment of independent directors

The role of the Independent Directors is to bring independent and objective judgment to the Board which mitigates risks arising from conflict of interest or undue influence from interested parties and protects the interest of minority shareholders. The Board recognizes that it is important to periodically assess whether a Director who is designated as independent continue to satisfy such designation. Towards this end, an assessment of independence is carried out on each of the Independent Directors annually by every other member of the Board.

During the financial year, the Board carried out an assessment on each of the Independent Director. Each Independent Director was required to declare his compliance with the criteria of independence as set out in the Board Charter. In addition all the Board members were required to evaluate whether each of the Independent Director had continued to show independent and objective judgment in deliberations at Board meetings as well as his conduct outside of Board meetings in matters relating to the Group's affairs. Based on the evaluation carried out, the Board of Directors concluded that the Independent Directors satisfied the criteria of independence set by the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Tenure of independent directors

The MCCG 2017 recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

The Board does not have a policy which limits the tenure of an Independent Director to nine (9) years as it believes that the tenure of service is not a major factor to determine the independence of a Director.

Mr. Loh Nam Hooi has served on the Board as an Independent Director for a tenure of seventeen (17) years. During the financial year, the Board carried out an assessment of the Independent Director and determined that Mr. Loh Nam Hooi has met the independence guidelines as set out in the Listing Requirements as well as the criteria of independence recognized by the Board. The Board had determined that Mr. Loh Nam Hooi is able to bring objective and independent judgement to the Board and recommended him to continue to serve as an Independent Director.

Shareholders' approval to retain independent director

Accordingly, the Board recommends that Mr. Loh Nam Hooi seek shareholders' approval to continue to be designated as an Independent Director at the forthcoming Annual General Meeting of the Company in accordance with the recommendation of MCCG 2017.

In accordance with Practice 4.2 of the MCCG 2017, shareholders' approval through a two-tier voting process will be sought at the forthcoming Annual General Meeting to retain Mr. Loh Nam Hooi as an Independent Non-Executive Director of the Company.

Criteria used in recruitment and annual assessment

The Nominating Committee's responsibilities include the development and review of the criteria to be used in the recruitment of Board members and the annual assessment of Directors.

The Board uses a variety of sources for the identification of suitable candidates. The Nominating Committee reviews the composition, skill sets and Board requirements every year as part of the Board assessment. The Board may rely on recommendations from existing board members and other sources to meet the skill sets and requirements of the Board. The Board is open to utilising independent sources as well. The Board will use a myriad of resources to source for candidates based on recommendations and independent sources. The Nominating Committee has developed the following procedure for considering potential Board candidates:

(a) the skills and experience appropriate for a candidate will be determined, having regard to those of the existing directors and any other likely changes to the Board;

(b) upon identifying a potential candidate, the following will be considered:
- qualifications and competencies of the candidate;
- character and integrity of the candidate;
- other directorships and time availability of the candidate;
- independence of the candidate, if an Independent Director is being considered;
- the effect that the appointment would have on the overall balance and diversity (including gender diversity) of the composition of the Board will be considered; and

(c) the proposed appointee must be approved by all existing Board members.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Criteria used in recruitment and annual assessment (cont'd)

An annual assessment of the Board is undertaken following the completion of the financial year. The evaluation is carried out by way of questionnaires sent to each Director. The questionnaires cover the composition, role, procedures and practices of the Board as a whole and the assessment of each Director's performance by each of his peers. The individual responses to the questionnaires are confidential to each Director, with questionnaire responses sent to the Company Secretary for summarization for consideration by the Nominating Committee and subsequent report back to the Board.

The Nominating Committee has also conducted an annual review on the performance of the Audit Committee and its members. Each member assessed the performance of his peers and the Audit Committee as a whole to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference of the Audit Committee.

An evaluation of the Board and the Audit Committee took place following the end of the financial year in accordance with the processes described above.

Time commitment of directors

The Board meets at least four (4) times a year to review and approve the quarterly and year-end financial results. Additional meetings are convened as necessary, when there are urgent and important matters that require the Board's deliberation. Board members may also be nominated to serve on Board Committees which hold their own meetings. Directors and Board Committee members are normally furnished with papers, reports and material relevant to the issues to be discussed one week prior to the meetings and are expected to review such material beforehand so that meaningful discussion can take place during meetings. This expectation of time commitment is communicated to new Board members before they are appointed. Directors should also notify the Chairman before accepting any new directorship in other listed companies to assess whether they will be able to devote sufficient time to the Company.

During the financial year ended 31 December 2019, there were five (5) Board meetings held. The commitment of the Directors in carrying out their duties is reflected in almost full attendance of the Directors at Board meetings held during the financial year as shown below:-

Name of Director	Designation	Attendance
Chuah Choon Bin	Non-Executive Chairman	5/5
Chuah Chong Ewe	Executive Director	4/5
Leng Kean Yong	Non-Independent Non-Executive Director	5/5
Loh Nam Hooi	Independent Non-Executive Director	5/5
Lee Kean Cheong	Independent Non-Executive Director	5/5

Continuing education programmes

All Directors have completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia. The Directors recognise the need to continue to undergo relevant training programmes to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation as a Board member.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Continuing education programmes (cont'd)

During the financial year ended 31 December 2019, the current Directors of the Company had either attended an in-house training programme, seminars or conferences organised externally. The programmes attended by the current Directors during the year, include the following:-

Name of Directors	Name of Course	Mode of training	Number of day (s) spent
Chuah Choon Bin	• Grant Thornton: Budget 2020 and SST updates	Briefing	0.5
Chuah Chong Ewe	• Grant Thornton: Budget 2020 and SST updates	Briefing	0.5
Leng Kean Yong	• Grant Thornton: Budget 2020 and SST updates • New Age Investments Seminar	Briefing Seminar	0.5 0.5
Loh Nam Hooi	• Grant Thornton: Budget 2020 and SST updates	Briefing	0.5
Lee Kean Cheong	• Grant Thornton: Budget 2020 and SST updates • MIRA Leadership Forum: 10x growth strategy - growing 10x and beyond • Malaysian Institute of Accountants (MIA): Session with members of the Audit Committee on integrated reporting • MIA: 2020 Budget • United Nations Malaysia: Financing the Sustainable Development Goals • Securities Commission Malaysia: Audit Oversight Board engagement with the audit committee	Briefing Seminar Briefing Seminar Briefing Briefing	0.5 0.5 0.5 1.0 0.5 0.5

Gender Diversity Policy

The Board acknowledges the recommendations of the MCCG 2017 on the establishment of a gender diversity policy. The Board via the Nominating Committee will consider female representation when suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the Group's objectives. On the other hand, the Board places importance on the composition of Board members based on meritocracy and in line with the Group's vision and mission.

The Board is of the view that the suitability of a candidate for the Board is dependent on the candidate's qualifications, competencies, skills, experience, expertise, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender.

Nominating Committee

The Nominating Committee comprises wholly Non-Executive Directors. The key duties and responsibilities of the Nominating Committee include the following:

a) to bring to the Board recommendations as to the appointment of any new executive or non-executive director and the Directors to fill the seats on Board Committees;

b) to assess the effectiveness of the Board of Directors as a whole, the Board Committees and contribution of each individual Director on an annual basis. In developing such recommendations, the Nominating Committee will consult all Directors and reflects that consultation in any recommendation of the Nominating Committee brought forward to the Board;

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Nominating Committee (cont'd)

c) to review the required mix of skills, experience, gender diversity and other qualities, including core competencies, of the members of the Board;

d) to review and assess the independence of Independent Directors on the Board; and

e) to review the terms of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

The terms of reference of the Nominating Committee is available on the Company's website at http://www.pentamaster.com.my.

Currently, the members of the Nominating Committee are Mr. Loh Nam Hooi (Chairman) and Mr. Leng Kean Yong.

Mr. Loh Nam Hooi has been designated as the Senior Independent Non-Executive Director to whom concerns may be conveyed. Any matters of concern may be raised to the Senior Independent Non-Executive Director through regular mail to the Company's registered address.

The Nominating Committee has met once during the financial year, in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company.

III. Remuneration

Remuneration policies and procedures

The Remuneration Committee which consists wholly of Non-Executive Directors recommends the remuneration for the Executive Directors. The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole. Individual Director abstains from deliberations and voting on the decision in respect of their own remuneration.

The Board recognises that the remuneration package should be sufficient to attract, retain and motivate Directors of calibre needed to run the Group successfully. The remuneration of Directors is generally based on market conditions, responsibilities held and the Group's overall financial performance. Decisions and recommendations of the Committee are reported back to the Board for approval and where required by the rules and regulations governing the Company, for approval of shareholders at the Annual General Meeting.

The terms of reference of the Remuneration Committee is available on the Company's website at http://www.pentamaster.com.my.

Currently, the Remuneration Committee members are Mr. Loh Nam Hooi (Chairman) and Mr. Leng Kean Yong.

The Remuneration Committee has met once during the financial year.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2019 are disclosed in the Corporate Governance Report which is available on the Company's website at http://www.pentamaster.com.my.

The analysis of the top five (5) senior management by remuneration band is as follows:

Remuneration Band (in RM)	Number of senior management
500,000 to 550,000	1
551,000 to 600,000	2
601,000 to 650,000	1
850,000 to 900,000	1
Total	**5**

The Board has decided to disclose the remuneration of the top five (5) senior management in bands instead of named basis as the Board considered the information of the remuneration of these individuals to be sensitive. The disclosure of the remuneration of the top five (5) senior management exclude remuneration paid to Directors.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

Audit Committee Composition

The Audit Committee of the Company comprises two (2) Independent Non-Executive Directors and a Non-Executive Director with appropriate professional qualifications including accounting and related financial management expertise. The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Lee Kean Cheong, and other members of the Audit Committee include Mr. Loh Nam Hooi and Mr. Leng Kean Yong. The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee's duties and powers include, among others:

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- to review the Company's financial information;

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

I. Audit Committee (cont'd)

Audit Committee Composition (cont'd)

- to monitor the integrity of the Company's financial statements and annual report and accounts, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the committee should focus particularly on:

  (a) any changes in accounting policies and practices;

  (b) major judgmental areas;

  (c) significant adjustments resulting from audit;

  (d) the going concern assumptions and any qualifications;

  (e) compliance with accounting standards; and

  (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.

The Audit Committee requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee and such practice was formalised and incorporated in the Terms of Reference of the Audit Committee.

Compliance with applicable financial reporting standards

The Directors aim to present a fair assessment of the Group's financial performance, position and prospects primarily through the quarterly reports to Bursa Malaysia as well as the Annual Report to shareholders.

The Board aims to ensure that it fulfills its responsibility in the area of financial reporting by appointing a suitably qualified finance manager to oversee the financial reporting function. The Board is also assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting. Towards this end, the Audit Committee meets to discuss and review the quarterly results and the year-end financial statements together with the finance manager and the external auditors where applicable before the financial reports are recommended to the Board for approval and public release.

Suitability, objectivity and independence of external auditors

The external auditors fulfill an essential role in giving assurance to the shareholders and other parties of the reliability of the financial statements of the Company. The Company has always maintained a formal and transparent relationship with the external auditors in ensuring the Company's compliance with applicable approved accounting standards and statutory requirements.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee's terms of reference which is available at the Company's website.

The Audit Committee is responsible for recommending the appointment or re-appointment of external auditors. In assessing the suitability of external auditors, the Audit Committee will ensure that only firms which have experience in the audit of listed companies and are registered with the Audit Oversight Board will be considered.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

I. Audit Committee (cont'd)

Suitability, objectivity and independence of external auditors (cont'd)

The Audit Committee recognizes that the regular provision of non-audit services by the external auditors may lead to impairment of the external auditors' independence and objectivity. The external auditors are therefore not normally engaged for non-audit related services. However, the external auditors may be engaged for services related to corporate exercises carried out by the Group from time to time, which are not regular in nature, for which the engagement of the external auditors may be deemed to be more effective for the Group. The external auditors have affirmed that members of their engagement team and the firm have complied with the relevant ethical requirements regarding independence in the conduct of their audit engagement.

The Audit Committee had assessed the performance and independence of the external auditors for the financial year under review. The Board of Directors approved the Audit Committee's recommendation to seek shareholders' approval for the re-appointment of the external auditors at the forthcoming Annual General Meeting of the Company.

II. Risk Management and Internal Control Framework

Framework to manage risks

The Board is responsible for establishing a sound framework to manage risks and maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets as required by the MCCG 2017. The Directors also have a general responsibility for taking reasonable steps to prevent and detect fraud and other irregularities. The Statement on Risk Management and Internal Control set out on pages 39 to 41 of this Annual Report, provides an overview of risk management and the state of internal control within the Group.

Internal audit function

The Board has outsourced its internal audit activities to a professional service firm ("Internal Auditors") to support the internal audit function. The Internal Auditors report directly to the Audit Committee. The outsourcing of the internal audit function coupled with the fact that the Internal Auditors report directly to the Audit Committee helps to ensure that internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits. The personnel who carry out internal audit work are free from any relationships or conflict of interest which could impair their objectivity and independence.

The current Internal Auditors is a firm with experience in internal audit and headed by a Chartered Accountant. In appointing the Internal Auditors, the Board and the Audit Committee have taken into consideration that the firm is adequately staffed with a team of qualified, competent and experienced personnel to carry out the internal audit assignments.

The scope of work in internal audit is carried out in accordance with an internal audit plan approved by the Audit Committee. The audit plan focused on high risk areas identified through the Group's risk evaluation process.

The Audit Committee Report set out on pages 42 to 44 of this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Corporate disclosure policies and procedures

The Board abides with the corporate disclosure policies as set out in the Listing Requirements. It is the policy of the Company that immediate disclosure is made of material information. Information is considered material if it is reasonable to expect that it will have a material effect on the price, value or market activity of the Company's securities or it will affect the decision of an investor or holder of the Company's securities in determining his choice of action. The Board members will be kept informed of material matters which require disclosure and appropriate announcement will be drafted by management. Announcements of material matters will be circulated to the Board for buy-off before public release.

However, in exceptional circumstances, the Company may temporarily withhold the disclosure of material information to a more appropriate time such as instances where immediate disclosure would affect the ability of the Company to pursue its corporate objectives, when the facts of the matter at hand is in a state of flux or where company or securities laws may restrict the extent of permissible disclosure. Material information which is withheld will be restricted to persons on a strict need-to-know basis and all persons with such information will be informed of the requirement to maintain strict confidentiality. In the event that material information that has been withheld has or is believed to have been inadvertently disclosed or where the information has become generally available to the public, the Company will immediately announce the information. The Company will also monitor the market activity of its securities during a period where information is withheld. Should there be unusual price movement, trading activity, or both ("unusual market activity") in its securities which is believed to signify a "leak" of the information or when rumours or reports concerning the information have appeared or where the Company learns that there are signs that insider trading may be taking place, the Company will take steps to announce the information that has been withheld immediately.

The Company strives to ensure that information that is released is in a manner that would obtain wide public dissemination. Disclosure of material information by the Company is first made by an announcement to Bursa Malaysia via the BURSA LINK. All announcements are also made available on the Company's website. Press conferences may be held if the Board is of the opinion that it would draw better attention to the information that is to be disseminated. However, the Company will ensure that any such information will be first released or simultaneously released to Bursa Malaysia. The Company will ensure that material information will not be made on an individual or selective basis to any individual or group if it has not been disclosed and disseminated to the public.

While the Company endeavours to provide information to its shareholders and stakeholders it is also mindful of the requirement to refrain from misleading promotional disclosure activity. The Board will not approve any announcement that may mislead investors and cause unwarranted price movement and activity in the Company's securities.

If the Company becomes aware of any rumour or report, whether true or false, that contains material information on the Company or the Group, the Company will make due enquiry among the Board members and senior management and publicly clarify, confirm or deny the rumour or report as soon as possible.

Where unusual market activity of the Company's securities occurs, the Company will undertake a due enquiry among the Board members and senior management to seek the cause of the unusual market activity and take appropriate action. If the Company determines that the unusual market activity results from material information that has already been publicly disclosed, it will take no further action.

All Board members and parties who are insiders are aware of the provisions of the Capital Markets and Services Act 2007 and the Companies Act, 2016 with regards to prohibition of trading in the securities of the Company on the basis of material information which is not known to the public. In addition, affected persons are notified of the restrictions in dealing in the Company's securities while in possession of price-sensitive information and during closed periods unless the procedures for dealings during closed periods as set out in the Listing Requirements have been complied with.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

I. Communication with Stakeholders (cont'd)

Use of information technology to disseminate information

Shareholders and investors are kept informed of all major development within the Group by way of announcements via the BURSA LINK. Announcements are also made of the Company's quarterly results, Annual Reports and other circulars to shareholders, where appropriate, and all these announcements are available to shareholders electronically at Bursa Malaysia's website. Shareholders can also access the Company's website, http://www.pentamaster.com.my for up to date information about the Company and its business as well as announcements made to Bursa Malaysia.

II. Conduct of General Meetings

Shareholder participation at general meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. Notice of AGM and Annual Reports are sent to shareholders at least 28 days before the meeting.

During the AGM, shareholders are given opportunities to enquire and comment on matters relating to the Group's business. The shareholders are encouraged to participate in the open question and answer session in the AGM pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general. The Directors are available to provide responses to questions from the shareholders during the meeting.

In addition, Extraordinary General Meetings ("EGMs") are held as and when needed to obtain shareholders' approval on certain business or corporate proposals. Adequate notice of EGM, in compliance with regulatory requirements, are sent to shareholders together with comprehensive Circulars/Statements setting out details and explaining the rationale with regards to the matters for which shareholders' approval are being sought.

Poll voting

The Constitution of the Company provides that a resolution put to the vote of a meeting may be decided on a show of hands or poll. In line with the Listing Requirements, the Company conducts poll voting for all the resolutions put to vote at general meetings. In addition, the Company will appoint a scrutineer to validate the votes cast at the general meeting.

Communication and proactive engagement with shareholders

AGMs and EGMs where appropriate remain the most common platform for the Company and the Board to have effective communication and engagement with shareholders about performance, corporate governance and other matters affecting shareholders' interest. In addition, the Board may hold press conference or investors briefing in addition to press release where appropriate to keep shareholders informed of the Group's affairs. Information released to the public will also be made available on the Company's website for shareholders to have easy access. Shareholders are also able to communicate with the Company's investor relations team via the dedicated email which is available on the Company's website (investor.relation@pentamaster.com.my).

Compliance Statement

Save as disclosed, throughout the financial year ended 31 December 2019, the Group has complied with all the principles and recommendations of the MCCG 2017.

This statement was made in accordance with a Board of Directors' resolution dated 18 March 2020.

Pursuant to Paragraph 15.26(b) of the Listing Requirements, the Board is pleased to provide the following statement on the state of risk management and internal control of the Group, which had been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

Board's Responsibility

The Board is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal control of the Group during the year.

The system of risk management and internal control covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. There is an ongoing process to identify, evaluate and manage significant risk faced or potentially to be encountered by the Group. The process is regularly reviewed by the Board.

Due to the limitations that are inherent in any system of internal controls, these systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives and it can only provide reasonable and not absolute assurance against material misstatement or loss.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control risks, are operated with the assistance of management throughout the period. The Board has received assurance from the Executive Director and the Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The key features of the risk management and internal control systems are described under the following headings:-

Risk Management and Internal Control Structure

The Group has an ongoing process for the identification, evaluation, reporting, managing, monitoring and reviewing of the major strategic, business and operation risks within the Group. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control frameworks, functions, processes and reports on a regular basis. The framework is continually monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

The Board has established a Risk Management Committee ("RMC") which comprises the Executive Director, CFO and senior management to assist in the risk management process within the Group.

The Group has an established internal control structure and is committed to evaluating, enhancing and maintaining the structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority in place to assist the Board to maintain a proper control environment. The control structure and environment are supported by the following activities:-

Risk Management and Internal Control Structure (Cont'd)

(a) An organisation structure with clearly defined lines of responsibility, authority and accountability;

(b) Documented internal policies, guidelines, procedures and manuals, which are updated from time to time;

(c) Regular Board and management meetings where information is provided to the Board and management covering financial performance and operation;

(d) Quarterly review of financial results by the Board and Audit Committee;

(e) Regular training and development programmes attended by employees with the objective of enhancing their knowledge and competency;

(f) Existence of risk management team to enhance its risk management practice; and

(g) Ongoing reviews on the system of internal controls by an independent internal audit function. Results of such reviews are reported to the Audit Committee, which in turn reports to the Board.

In addition, the Executive Director, CFO and senior management has day to day involvement with the business and is responsible for monitoring risks affecting the business and control activities. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business. The internal auditors independently report to the Audit Committee on the outcome and findings from their reviews.

Risk Management Process

The Board regards risk management as an integral part of business operations. For the year under review, the RMC is assisted by the senior management team from various divisions to effectively embed risk management and control into the corporate culture, processes and structures within the Group. The RMC has identified and reviewed the major business risk factors affecting the Group and derive risk management strategies to manage and mitigate the risks identified. The following factors were considered in the risk assessment:

(a) The nature and extent of risks facing the Group;

(b) The extent and categories of risk which it regards as acceptable for the Group to bear;

(c) The likelihood of major risks materialising; and

(d) The Group's ability to reduce the incidence of major risks that may materialise and mitigate their impact on the business.

Control Environment

The Group has in place a proper control environment which emphasises on quality and performance of the Group's employees through the development and implementation of human resource policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organisation.

The Board believes that a sound internal control system reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Internal Audit Function

The Board has outsourced its internal audit activities to a professional service firm to support the internal audit function. The Internal Auditors report directly to the Audit Committee. The outsourcing of the internal audit function coupled with the fact that the Internal Auditors report directly to the Audit Committee helps to ensure that internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits. The personnel who carry out internal audit work are free from any relationships or conflict of interest which could impair their objectivity and independence. The scope of work in internal audit is carried out in accordance with an internal audit plan approved by the Audit Committee. The audit plan focused on high risk areas identified through the Group's risk evaluation process.

The Board is of the opinion that the Group's system of internal controls is generally adequate based on the report and findings in the internal auditors' report for the financial year ended 31 December 2019. Nevertheless, the internal control systems will continue to be reviewed, enhanced or updated in line with changes in the operating environment.

Review of the Statement of Risk Management and Internal Control by External Auditors

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this statement of risk management and internal control for inclusion in the Annual Report for the financial year ended 31 December 2019 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

Conclusion

The Board is of the opinion that the system of internal control and risk management is in place for the year under review, and up to the date of this statement is effective and adequate to safeguard the shareholders' investment and the Group's assets.

This statement was made in accordance with a Board of Directors' resolution dated 18 March 2020.

AUDIT COMMITTEE REPORT

1. MEMBERSHIP AND MEETINGS

Details of the membership of the Audit Committee and attendance of meetings during the financial year are as follows:-

	Name and designation	Attendance
Chairman:	Lee Kean Cheong (Independent Non-Executive Director)	5/5
Members:	Loh Nam Hooi (Independent Non-Executive Director)	5/5
	Leng Kean Yong (Non-Independent Non-Executive Director)	5/5

2. TERMS OF REFERENCE

The terms of reference of the Audit Committee is available on the Company's website at http://www.pentamaster.com.my.

The Board is satisfied that the Audit Committee and its members have discharged their responsibilities during the financial year in accordance with the terms of reference of the Audit Committee.

3. SUMMARY OF WORK DURING THE FINANCIAL YEAR

The Audit Committee met five (5) times during the financial year ended 31 December 2019 and had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee: -

A. Financial reporting

The Audit Committee reviewed the unaudited quarterly financial results of the Group during its meetings held on 27 February 2019, 15 May 2019, 16 August 2019 and 7 November 2019. On 19 April 2019, the Audit Committee reviewed the audited financial statements of the Group and Company for the year ended 31 December 2018. The Audit Committee's recommendations in respect of the quarterly results and annual audited financial statements were presented to the Board at the respective Board of Directors' meetings for the Board's approval before subsequent release to Bursa Malaysia Securities Berhad and the Securities Commission.

B. External Audit

On 27 February 2019, the Audit Committee reviewed the status of the audit for the financial year ended 31 December 2018 with the external auditors. The external auditors briefed the Audit Committee on the progress of the annual audit and issues discussed with management. The Audit Committee was informed that there were no significant changes to the scope or audit approach as compared to the audit plan.

On 19 April 2019, the Audit Committee met the external auditors and was briefed on the audited financial statements and the results of the audit for the financial year ended 31 December 2018. The external auditors reported that there was no material variance in the audited results for the year when compared with unaudited results announced on 27 February 2019. The external auditors briefed the Audit Committee on key audit matters that were of more significance in the audit of the financial statements of the Group and of the Company and how those matters were addressed in the context of the audit.

3. SUMMARY OF WORK DURING THE FINANCIAL YEAR (cont'd)

B. External Audit (cont'd)

The external auditors confirmed that they were independent of the Group and of the Company and that members of their engagement team and the firm have complied with the relevant ethical requirements regarding independence, including the Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, in the conduct of their audit engagement.

The Audit Committee reviewed the extent of assistance rendered by management in the course of the audit and based on feedback from the external auditors, it was satisfied that management had co-operated fully and the external auditors were able to obtain information requested to carry out their work. The external auditors also reported that based on the audit work performed the auditors have not identified any other major matters to highlight to the Audit Committee. Based on the review carried out and the report from the external auditors, the Audit Committee recommended that the audited financial statements for the financial year ended 31 December 2018 to the Board of Directors for approval.

The Audit Committee reviewed the audit fees and the performance of the external auditors and was satisfied with the conduct of their professional work and the timeliness of completion of their work to meet the reporting deadline. Accordingly, the Audit Committee recommended the re-appointment of the external auditors at the Annual General Meeting.

On 7 November 2019, the Audit Committee reviewed and approved the external auditors' audit plan for the Group and the Company for the year ending 31 December 2019. The audit plan covered the key areas of audit focus and the audit approach for each area identified. The Audit Committee was briefed on amendments to accounting standards issued by the Malaysian Accounting Standards Board and noted that the initial application of the standards is not expected to have any material impact on the financial statements of the Group. The Audit Committee also agreed to the proposed reporting schedule for the audit for the financial year ending 31 December 2019 to meet the reporting deadlines.

C. Internal audit and risk management

During the financial year under review, the internal auditors had conducted the audit activities in accordance with the audit plan approved by the Audit Committee on 1 November 2018 and presented their internal audit reports at the Audit Committee meetings held on 27 February 2019 and 16 August 2019. Relevant management members including the Executive Director were invited to attend the Audit Committee meetings to provide insight and clarification on specific matters raised in the internal audit reports and their views on internal audit recommendations. The internal auditors also provided status updates to Audit Committee in respect of implementation of management action plans or agreed course of action on the findings reported in previous audit cycles to ensure that issues that have been highlighted are resolved satisfactorily. The Audit Committee was also briefed by management on the activities carried out by the Risk Management Team in assessing and managing risks in the Group.

D. Other matters

On 19 April 2019, the Audit Committee reviewed the Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2018 and recommended it to the Board of Directors for approval. The Committee also reviewed and approved the Audit Committee Report for the financial year ended 31 December 2018 for inclusion in the Company's Annual Report 2018.

4. INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit activities to a professional service firm to support the internal audit function. The Internal Auditors report directly to the Audit Committee. The outsourcing of the internal audit function coupled with the fact that the Internal Auditors report directly to the Audit Committee helps to ensure that internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits. The personnel who carry out internal audit work are free from any relationships or conflict of interest which could impair their objectivity and independence. The cost incurred for the internal audit function in respect of the financial year ended 31 December 2019 was RM60,000.

5. SUMMARY OF WORK OF THE INTERNAL AUDITORS

During the financial year ended 31 December 2019, internal audit reviews have been carried out according to the internal audit plan, which has been approved by the Audit Committee. The internal audit reviews covered production return, purchasing and inventory management, accounts payable, gate pass and overtime management system of major subsidiaries in the Group. The internal auditors also reviewed implementation of corrective action plans or agreed course of action on the findings reported in previous audit cycles. The findings and recommendations were highlighted to management for their comments and further action. Internal audit reports were presented to the Audit Committee and also reported to the Board.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

Pursuant to the Companies Act 2016, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements, the Group has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016 and applicable approved accounting standards.

MATERIAL CONTRACTS

On 15 April 2015, Origo Ventures (M) Sdn. Bhd. ("OVSB") a wholly owned subsidiary company of the Company, was awarded a Project Finance and Management Contract by Maarij Development Sdn. Bhd. ("MDSB") for the project management of a mixed development project in the new township of Tunjong in Kelantan Darul Naim, with an approximate size 9.88 acres ("Contract"). The Gross Development Value for the development is approximately RM164 million and OVSB was awarded the project management based on the following remuneration of:

(i) RM10 million payable progressively based on stage of work done of the development; and
(ii) balance thereof upon practical completion of the development.

Total remuneration for the project management agreement shall equate to sixty percent (60%) of the net profit generated from the development. OVSB will bill MDSB progressively for services performed based upon completion of stages of work done.

Chuah Chong Boon, a Director of MDSB and a person who has an indirect interest in MDSB, is the brother of Chuah Chong Ewe, Executive Director of the Company. Save for their relationship as siblings, Chuah Chong Ewe does not have any interest in MDSB and Chuah Chong Boon does not have any interest in the Company and its subsidiaries.

Save as disclosed above, the Company and its subsidiaries do not have any material contracts involving the interest of its Directors and major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

MATERIAL CONTRACTS RELATING TO LOANS

The Company and its subsidiaries do not have any material contracts relating to loan involving the interest of its Directors and major shareholders.

SHARE AWARD SCHEME

Subsequent to obtaining approval from the Company's shareholders on 16 November 2017 and in relation to the listing of Pentamaster International Limited or PIL on the Main Board of The Stock Exchange of Hong Kong Limited ("PIL Listing"), the Company adopted a share award scheme on 8 December 2017 to recognise contributions made by certain Directors and employees of PIL Group ("Share Award Scheme"), and to provide the eligible employees with incentives in order to retain them for the continual operation, growth and further development of the PIL Group. Pursuant to the Share Award Scheme, the Company transferred on 19 December 2017 a total of 20,000 PIL Shares (the "Share Award Transfers"), representing 8.40% of the then issued share capital of PIL to 232 employee shareholders as eligible employees of PIL Group ("Eligible Employees"), at a consideration of approximately MYR1,475 per Share, which was determined based on the fair market value of PIL Group ascribed by an independent valuer engaged by the Company.

SHARE AWARD SCHEME (CONT'D)

The shares under the Share Award Scheme were awarded to the Eligible Employees as follows:

Category	No. of PIL Shares	No. of PIL Shares after Capitalisation Issue	Approximate shareholding in PIL immediately after completion of the Share Award Scheme and before completion of the public offer in relation to PIL Listing	Range of shareholding in PIL immediately after completion of the Share Award Scheme and before completion of the public offer in relation to PIL Listing
Directors of PIL				
- Chuah Choon Bin	3,000	17,740,800	1.26%	
- Gan Pei Joo	860	5,085,696	0.36%	
Heads of department	6,290	37,196,544	2.64%	0.06% - 0.83%
Managers, senior executives and supervisor	9,788	57,882,317	4.11%	0.0004% - 0.39%
Other employees	62	366,643	0.03%	0.0004% - 0.006%
Total	**20,000**	**118,272,000**	**8.40%**	

An Eligible Employees shall not have:

(i) any right to transfer the right to acquire the awarded shares; and

(ii) any interest or rights (including the right to vote or receive dividends or cash income) in the awarded shares and any related income (including any dividends, bonus shares and scrip shares in connection with the awarded shares) (the "Related Income") until the Eligible Employees becomes registered as a shareholder.

Within 12 months after the date on which his/her name is registered as a shareholder, an Eligible Employee shall not, without the prior written consent of the Board of PIL in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to either the awarded shares or Related Income referable to him/her hereunder (the "Lock-Up Restrictions"). In the event any Eligible Employee breaches or attempts to breach any of such Lock-Up Restrictions, the awarded shares registered in the name of such Eligible Employee shall become transferable back to the Company at nil consideration, or any other penalty as may be imposed and determined by the Board of PIL.

Save as disclosed above, the Company and its subsidiaries do not have any outstanding options or shares granted.

UTILISATION OF PROCEEDS

1) Share Award Scheme

The utilisation of proceeds of RM29.5 million raised from the Share Award Scheme up to 31 December 2019 is as follows:

Purpose	Proposed Utilisation (RM'000)	Gross Proceeds Received (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe	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	1,660	Within five * (5) years	18,340
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
Total	**29,500**	**29,500**	**11,160**		**18,340**

2) PIL Listing

The utilisation of proceeds of RM87.1 million from the offer for sale by the Company in conjunction with the PIL Listing up to 31 December 2019 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	9,089	Within five (5) years	19,559
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**	**34,800**		**52,300**

Notes:
(1) The minimum and maximum scenario under the proposed utilisation was based on the indicative offer price in relation to the PIL listing of HKD0.95 and HKD1.05 respectively.
(2) The actual gross proceeds received was based on the actual offer price of HKD1.00 in relation to PIL listing. The difference between the gross proceeds received and the proposed utilisation was due to the difference in the conversion rate.
* Extended from the initial time frame of two (2) years to five (5) years as announced on 17 January 2020.

AUDIT FEES AND NON-AUDIT FEES

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 December 2019 are as follows:-

	Group (RM)	Company (RM)
Audit fees	539,863	50,000
Non-audit fees*	40,000	3,000
Total	**579,863**	**53,000**

*Non- audit fees include fees payable to Grant Thornton for financial due diligence services in relation to acquisition of TP Concept and review of the Company's Statement of Risk Management & Internal Control.

RECURRENT RELATED PARTY TRANSACTIONS

The Group does not have any recurrent related party transactions of revenue or trading nature during the financial year.

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2019**.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation for the financial year	**131,097,943**	**33,659,453**
Attributable to:		
Owners of the Company	**83,042,457**	**33,659,453**
Non-controlling interests	**48,055,486**	**-**
	131,097,943	**33,659,453**

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2019** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been declared or paid by the Company since the end of previous financial year.

On 27 February 2020, the Directors recommended a final single tier dividend of RM0.015 per ordinary share amounting to approximately RM7,100,000 in respect of the financial year ended 31 December 2019 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 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company issued 158,292,675 new ordinary shares ("Bonus Shares") on the basis of one (1) Bonus Share for every two (2) existing shares held. The Bonus Shares issue was completed on 28 June 2019 following the listing and quotation of the Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad on even date.

The new ordinary shares issued during the year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

Directors of the Company:

Chuah Choon Bin
Chuah Chong Ewe
Leng Kean Yong
Loh Nam Hooi
Lee Kean Cheong

Directors of the Subsidiaries:

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year and during the period from the end of the financial year to the date of the Report are as follows:

Gan Pei Joo
Hon Tuck Weng
Chan May May
Chuah Jin Chong
Sim Seng Loong @ Tai Seng
Ng Chin Keng
Dato' Yong Weng Kian

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

Directors of the Company

	|--------------- Number of ordinary shares ------------|			
	Balance at 1.1.19	**Effect of Bonus issue**	**Bought/ (Sold)**	**Balance at 31.12.19**
Interest in the Company				
Direct Interest:				
Chuah Choon Bin	62,186,720	31,093,360	-	93,280,080
Chuah Chong Ewe	14,390,246	7,195,123	-	21,585,369
Loh Nam Hooi	194,400	97,200	-	291,600
Indirect Interest:				
Chuah Choon Bin	61,560*	30,780	-	92,340

* Deemed interest by virtue of shares held by spouse.

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	|--------- Number of ordinary shares of HKD0.01 ------|			
	Balance at 1.1.19	**Bought**	**Sold**	**Balance at 31.12.19**
Interest in a subsidiary				
Pentamaster International Limited				
Direct Interest:				
Chuah Choon Bin	17,740,800	-	-	17,740,800
Leng Kean Yong	400,000	152,000	-	552,000

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares in the Company and its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows:

	Incurred by the Company RM	**Incurred by the Subsidiaries RM**	**Group RM**
Salaries, bonus and allowance	**1,050,000**	**2,586,877**	**3,636,877**
Defined contribution plan	**159,600**	**369,100**	**528,700**
Fees	**192,000**	**139,462**	**331,462**
Benefits-in-kind	**-**	**28,000**	**28,000**
	1,401,600	**3,123,439**	**4,525,039**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for certain directors and officers of the Group were approximately RM40 million and RM39,018 respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due,

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are disclosed in Note 34 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2019 is disclosed in Note 25 to the financial statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Directors:

....	....
Chuah Choon Bin	**Chuah Chong Ewe**

Penang,

Date: 17 March 2020

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 61 to 127 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2019** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors:

....
Chuah Choon Bin

....
Chuah Chong Ewe

Date: 17 March 2020

STATUTORY DECLARATION

I, **Chuah Choon Bin**, the director primarily responsible for the financial management of **Pentamaster Corporation Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 61 to 127 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **17th**)
day of **March 2020**.)

....
Chuah Choon Bin
(I/C No. 610807-07-5301)

Before me,

....
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Pentamaster Corporation Berhad**, which comprise the statements of financial position as at **31 December 2019** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 61 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2019** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilites

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *(Note 24 to the financial stetements)*	
The revenue recognition from the automated test equipment and factory automation solutions segments depends on the nature of the contractual arrangement with the customer and this could impact the point at which the control is transferred and service is rendered to the customer. The revenue from these activities amounted to RM487 million. We have identified revenue recognition as a key audit matter as there is a risk that revenue maybe incorrectly recognised as different contractual arrangements with customers will result in different timing in which revenue can be recognised.	Our audit procedures in relation to the revenue recognition included: – Evaluating the assessment performed by management on compliance with revenue recognition policies. – Obtaining an understanding of the Group's revenue recognition process and their application and thereafter testing controls on the occurrence of revenue. – Performed analytical procedures on the trend of revenue recognised to identify for any abnormalities. – On sampling basis, we have performed substantive testing to verify that revenue recognition criteria are being properly applied. – Assessing the correct period for the revenue recognised by testing cut-off through assessing sales transactions taking place at either side of the end of reporting period as well as checking credit notes and sales return issued after the reporting period.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories *(Note 12 to the financial statements)*	
The Group has significant balance of inventories as at 31 December 2019 which mainly comprised of work-in-progress. Inventories are valued at the lower of cost and net realisable value. Significant judgement and estimation by management are involved in identifying inventories with net realisable values that are lower than their costs, and obsolescence, with reference to the condition of the inventories, historical and current sales information, as well as the ageing of inventories to identify slow-moving items to ascertain the amount of allowance for inventories.	Our audit procedures in relation to the valuation of inventories included: – Obtaining an understanding of: (i) how the Group accounts for the inventory costs, including material prices, cost elements related to production overheads absorption such as labour and other production costs; (ii) how the Group identifies and assess inventories write-downs; and (iii) how the Group makes the accounting estimates for inventories write-downs. – Evaluating the consistency of the application of management's methodology for calculating the provision for inventory write-downs from year to year and assessing the adequacy of the provisions estimated and provided in the financial statements. – Evaluation of the appropriateness of the methodologies applied in determining product cost and critically assessing the calculation. – Testing, on a sampling basis, accuracy of cost absorption against the underlying supporting documents. – Attending inventory counts and reconciling the count results to the inventory listings to test the completeness. – On a sampling basis, test the ageing of the inventories. – On a sampling basis, we have independently reviewed the net realisable value of inventories. – For work-in-progress where expected delivery is not in accordance with timeline stipulated in the purchase order, we have discussed with management on the status of the project and considered if provisions for write-downs were necessary.
Provision for expected credit losses of trade receivables *(Notes 13 to the financial statements)*	
The Group has significant exposure to credit risk arising from its trade receivables as at 31 December 2019. Assessing expected credit losses of trade receivables requires management's judgement and uses of estimates in determining the probability of default occurring by considering the ageing of receivable, historical loss experience and forward-looking information.	Our audit procedures in relation to management's impairment assessment included: – Obtaining an understanding of: (i) the Group's control over the trade receivables' collection process; (ii) how the Group identifies and assess the impairment of trade receivables; and (iii) how the Group makes the accounting estimates for impairment. – Evaluating the application of group policy for calculating the expected credit loss. – Considering the ageing of the trade receivables. – Evaluating techniques and methodology in the expected credit loss approach against the requirements of MFRS 9. – Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information. – Comparing the assumptions used to estimate the provision for impairment with the available industry data. – Assessing the operating effectiveness of control policies over ongoing internal credit quality assessments.

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for acquisition of a subsidiary *(Note 6, 7 and 8 to the financial statements)*	
During the financial year, the Group acquired a subsidiary that is involved in the manufacturing and assembling of automation machines and die casting parts for the medical industry. The results of the subsidiary has been consolidated by the Group since the acquisition date. The management has engaged an independent professional qualified valuer to assist them in identifying the intangible assets and to perform the valuation of the identified assets and liabilities of the acquired business at the acquisition date, based on which management performed a purchase price allocation exercise and resulted in recognition of the intangible assets and goodwill. We consider this area a key audit matter given the significant judgements involved in the fair value assessment of the identified technical know-how and the recognition of goodwill arising from the business acquisition. These significant judgements include the adoption of appropriate valuation methodology and the use of key parameter and inputs such as gross profit margin, discount rate, terminal value and expected useful life of the identified technical know-how.	Our audit procedures in relation to evaluating the purchase price allocation included: – Evaluating the independent external valuer's competence, capabilities and objectivity. – Evaluating the methodology and assumption used by management and management's external expert to estimate the fair value of identified technical know-how and goodwill. – Comparing management's assumption of gross profit margin and expected useful life of the technical know-how with historical data of the acquired business and the industry available data. – Engaging in discussion with the management and their external valuer to understand the methodology and assumption used in deriving the identified assets and liabilities from the purchase price allocation exercise conducted. – Checking the mathematical accuracy of the calculations of the fair value of the identified technical know-how and goodwill.

There are no key audit matters in the audit of the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than those for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 8 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton
No. AF: 0042
Chartered Accountants

Terence Lau Han Wen
No.03298/04/2021 J
Chartered Accountant

Penang

Date: 17 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	2018	**2019**	2018
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**85,627,447**	71,651,376	**1**	1
Investment properties	**5**	**9,948,485**	10,050,000	**-**	-
Goodwill on consolidation	**6**	**4,495,368**	-	**-**	-
Intangible assets	**7**	**40,099,787**	10,796,648	**-**	-
Investment in subsidiaries	**8**	**-**	-	**97,655,192**	68,499,654
Investment in an associate	**9**	**4,062,168**	3,046,154	**-**	-
Other receivables, deposits and prepayments	**10**	**21,460,188**	-	**-**	-
Amount due from a subsidiary	**11**	**-**	-	**25,174,916**	24,839,916
		165,693,443	95,544,178	**122,830,109**	93,339,571
Current assets					
Inventories	**12**	**59,457,888**	138,114,557	**-**	-
Trade receivables	**13**	**65,599,931**	51,912,986	**-**	-
Other receivables, deposits and prepayments	**10**	**21,026,584**	34,828,659	**8,505**	88,808
Amount due from subsidiaries	**11**	**-**	-	**10,423,614**	18,623,642
Derivative financial assets	**14**	**2,395,368**	-	**-**	-
Tax recoverable		**145,628**	984,279	**110**	236
Cash and cash equivalents	**15**	**423,251,420**	324,653,223	**119,215,553**	106,767,348
		571,876,819	550,493,704	**129,647,782**	125,480,034
TOTAL ASSETS		**737,570,262**	646,037,882	**252,477,891**	218,819,605
EQUITY AND LIABILITIES					
Share capital	**16**	**79,303,370**	79,303,370	**79,303,370**	79,303,370
Retained profits	**17**	**357,297,941**	276,934,424	**172,739,870**	139,080,417
		436,601,311	356,237,794	**252,043,240**	218,383,787
Non-controlling interests		**159,285,350**	118,220,107	**-**	-
Total equity		**595,886,661**	474,457,901	**252,043,240**	218,383,787
Non-current liabilities					
Borrowings	**18**	**3,004,456**	3,345,888	**-**	-
Deferred income	**19**	**2,072,034**	288,009	**-**	-
Deferred tax liabilities	**20**	**5,374,320**	-	**-**	-
Other payables, accruals and provision	**21**	**5,597,818**	-	**-**	-
		16,048,628	3,633,897	**-**	-
Current liabilities					
Trade payables	**22**	**33,031,746**	40,002,298	**-**	-
Other payables, accruals and provision	**21**	**40,719,109**	22,469,751	**432,586**	416,288
Contract liabilities	**23**	**49,558,604**	99,091,796	**-**	-
Amount due to a subsidiary	**11**	**-**	-	**2,065**	19,530
Derivative financial liabilities	**14**	**-**	4,810,372	**-**	-
Borrowings	**18**	**357,700**	416,127	**-**	-
Tax payable		**1,967,814**	1,155,740	**-**	-
		125,634,973	167,946,084	**434,651**	435,818
		141,683,601	171,579,981	**434,651**	435,818
TOTAL EQUITY AND LIABILITIES		**737,570,262**	646,037,882	**252,477,891**	218,819,605

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	NOTE	GROUP 2019 RM	GROUP (Restated) 2018 RM	COMPANY 2019 RM	COMPANY 2018 RM
Revenue	24	**490,104,989**	422,200,648	**8,700,012**	617,000
Cost of goods sold		**(310,824,298)**	(284,429,005)	**-**	-
Gross profit		**179,280,691**	137,771,643	**8,700,012**	617,000
Other income		**18,094,641**	13,219,204	**28,333,576**	78,886,108
Distribution costs		**(7,203,934)**	(4,438,518)	**-**	-
Administrative expenses		**(50,025,834)**	(46,445,350)	**(3,266,130)**	(7,476,194)
Other operating expenses		**(328,066)**	(243,299)	**(108,005)**	(30,380)
Operating profit		**139,817,498**	99,863,680	**33,659,453**	71,996,534
Finance costs		**(186,965)**	(191,849)	**-**	-
Share of result of an associate		**(733,986)**	(64,960)	**-**	-
Profit before taxation	25	**138,896,547**	99,606,871	**33,659,453**	71,996,534
Taxation	26	**(7,798,604)**	(5,586,993)	**-**	126
Profit for the financial year, representing total comprehensive income		**131,097,943**	94,019,878	**33,659,453**	71,996,660
Profit for the financial year, representing total comprehensive income attributable to:					
Owners of the Company		**83,042,457**	57,116,668	**33,659,453**	71,996,660
Non-controlling interests		**48,055,486**	36,903,210	**-**	-
		131,097,943	94,019,878	**33,659,453**	71,996,660
Earnings per share attributable to owners of the Company (Sen):-					
- Basic/Diluted	27	**17.49**	12.03		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to |----- Owners of the Company -----|				
			Distributable			
	NOTE	Share Capital RM	Retained profits RM	Total RM	Non-Controlling Interests RM	Total Equity RM
2019						
Balance at beginning		**79,303,370**	**276,934,424**	**356,237,794**	**118,220,107**	**474,457,901**
Total comprehensive income for the financial year		**-**	**83,042,457**	**83,042,457**	**48,055,486**	**131,097,943**
Transactions with owners:						
Dividends paid to non-controlling interest		**-**	**-**	**-**	**(4,737,588)**	**(4,737,588)**
Effect of changes in shareholding	**8**		**(2,678,940)**	**(2,678,940)**	**(2,252,655)**	**(4,931,595)**
		-	**(2,678,940)**	**(2,678,940)**	**(6,990,243)**	**(9,669,183)**
Balance at end		**79,303,370**	**357,297,941**	**436,601,311**	**159,285,350**	**595,886,661**
2018						
Balance at beginning		79,303,370	100,916,795	180,220,165	20,126,336	200,346,501
Total comprehensive income for the financial year		-	57,116,668	57,116,668	36,903,210	94,019,878
Transactions with owners:						
Disposal of equity interest in a subsidiary to non-controlling interests	8	-	118,900,961	118,900,961	61,190,561	180,091,522
Balance at end		79,303,370	276,934,424	356,237,794	118,220,107	474,457,901

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share Capital RM	Distributable Retained Profits RM	Total Equity RM
2019			
Balance at beginning	**79,303,370**	**139,080,417**	**218,383,787**
Total comprehensive income for the financial year	**-**	**33,659,453**	**33,659,453**
Balance at end	**79,303,370**	**172,739,870**	**252,043,240**
2018			
Balance at beginning	79,303,370	67,083,757	146,387,127
Total comprehensive income for the financial year	-	71,996,660	71,996,660
Balance at end	79,303,370	139,080,417	218,383,787

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	2018	**2019**	2018
		RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		**138,896,547**	99,606,871	**33,659,453**	71,996,534
Adjustments for:					
Amortisation of intangible assets		**764,770**	3,042,426	**-**	-
Deferred income released		**(251,820)**	(131,209)	**-**	-
Deposit forfeited		**-**	31,947	**-**	-
Depreciation		**3,801,433**	2,603,863	**-**	262
Expected credit loss on receivables	- current year	**3,823,630**	-	**-**	-
	- reversal	**-**	(6,000)	**-**	-
Gain on disposal of investment in subsidiaries		**-**	-	**(24,223,943)**	(76,255,180)
Gain on disposal of property, plant and equipment		**(13,966)**	-	**-**	-
(Gain)/Loss on changes in fair value of foreign currency forward contracts		**(7,205,740)**	5,271,505	**-**	-
Intangible assets written off		**17**	-	**-**	-
Interest expense		**186,965**	191,849	**-**	-
Interest income		**(10,594,703)**	(3,112,964)	**(3,851,118)**	(1,130,292)
Inventories written down	- addition	**2,496,684**	175,518	**-**	-
	- reversal	**(434,295)**	(20,754)	**-**	-
Property, plant and equipment written off		**2,846**	-	**-**	-
Provision for warranty	- current year	**865,600**	735,900	**-**	-
	- reversal	**(735,900)**	(444,000)	**-**	-
Share of result of an associate		**733,986**	64,960	**-**	-
Unrealised loss/(gain) on foreign exchange		**2,816,692**	(8,328,511)	**13,684**	(6,036)
Operating profit/(loss) before working capital changes		**135,152,746**	99,681,401	**5,598,076**	(5,394,712)
Decrease/(Increase) in inventories		**95,396,866**	(16,699,097)	**-**	-
(Increase)/Decrease in receivables		**(14,762,462)**	(12,417,089)	**80,303**	2,374,199
(Decrease)/Increase in payables		**(21,259,774)**	27,408,654	**16,298**	(14,691)
Decrease in contract liabilities		**(49,533,192)**	(16,938,425)	**-**	-
Cash generated from/(used in) operations		**144,994,184**	81,035,444	**5,694,677**	(3,035,204)
Income tax paid		**(7,257,467)**	(6,001,805)	**(126)**	-
Income tax refunded		**1,122,190**	81,465	**252**	-
Interest paid		**(186,965)**	(191,849)	**-**	-
Net cash from/(used in) operating activities/ Balance carried forward		**138,671,942**	74,923,255	**5,694,803**	(3,035,204)

The accompanying notes form an integral part of the financial statements.

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Balance brought forward	**138,671,942**	74,923,255	**5,694,803**	(3,035,204)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary, net of cash acquired	**(15,379,060)**	-	**-**	-
Interest received	**10,594,703**	3,112,964	**3,851,118**	1,130,292
Investment in an associate	**(1,750,000)**	(2,100,000)	**-**	-
Investment in additional equity interest in a subsidiary	**(31,567,571)**	-	**(31,567,571)**	-
Net changes in related subsidiaries' balances	**-**	-	**7,841,515**	(8,112,685)
Proceeds from disposal of property, plant and equipment	**24,400**	-	**-**	-
Proceeds from disposal of investment in a subsidiary	**-**	29,500,000	**-**	29,500,000
Purchase of intangible assets	**(7,674,926)**	(10,826,227)	**-**	-
Purchase of investment properties	**-**	(10,050,000)	**-**	-
Purchase of property, plant and equipment	**(14,051,045)**	(28,284,475)	**-**	-
Net cash (used in)/from investing activities	**(59,803,499)**	(18,647,738)	**(19,874,938)**	22,517,607
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of term loan	**(317,653)**	(320,191)	**-**	-
Payment of finance lease liabilities	**(82,206)**	(187,032)	**-**	-
Dividend paid to non-controlling interest of a subsidiary	**(4,737,588)**	-	**-**	-
Proceeds from disposal of shares to non-controlling interest of a subsidiary	**26,635,976**	87,102,400	**26,635,976**	87,102,400
Proceeds from issuance of shares to non-controlling interests of a subsidiary	**-**	92,989,122	**-**	-
Net cash from financing activities	**21,498,529**	179,584,299	**26,635,976**	87,102,400
NET INCREASE IN CASH AND CASH EQUIVALENTS	**100,366,972**	235,859,816	**12,455,841**	106,584,803
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,768,775)**	6,591,380	**(7,636)**	(12)
CASH AND CASH EQUIVALENTS AT BEGINNING	**324,653,223**	82,202,027	**106,767,348**	182,557
CASH AND CASH EQUIVALENTS AT END	**423,251,420**	324,653,223	**119,215,553**	106,767,348

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang.

The principal place of business of the Company is located at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 March 2020.

Principal Activities

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain financial instruments that are measured at fair values at the end of each reporting period as indicated in the summary of accounting policies as set out in Note 3 to the financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. **BASIS OF PREPARATION (CONT'D)**

2.2 **Basis of Measurement (cont'd)**

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 **Functional and Presentation Currency**

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.4 **Adoption of New Standards/Amendments/Improvements to MFRS**

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following standards that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2019
MFRS 16 Leases
Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
IC Interpretations 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Initial application for the above standards did not have any material impacts to the financial statements of the Group and of the Company upon adoption.

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the practical expedient not to recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

2. **BASIS OF PREPARATION (CONT'D)**

2.4 **Adoption of New Standards/Amendments/Improvements to MFRS (cont'd)**

The Group's leases were mainly derived from hostel which the leases were currently recognised on a time proportion basis over the lease term. As at 31 December 2019, the Group did not have significant non-cancellable operating lease commitment as all leases were short-term leases. The Group applied the elective recognition exemptions for lessees under MFRS 16.

2.5 **Standards Issued But Not Yet Effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

MFRS 17	Insurance Contracts
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 3	Definition of a business
Amendments to MFRS 101 and MFRS 108	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in MFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and of the Company in future periods.

2.6 **Significant Accounting Estimates and Judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 **Judgements made in applying accounting policies**

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements other than the following:

(i) **Revenue recognition**

Revenue from the sale of goods and rendering of services are recognised at the point in time when control of the goods is transferred and service is rendered to the customer. The management applied judgements in identifying the performance obligations and estimating the point of revenue recognition under different contractual agreements.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Useful lives of depreciable assets**

Machineries and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates that the useful life of the machineries and equipment to be between 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of machineries and equipment. However, if there were such changes, the impact of the profit or loss would be negligible in view of the low carrying amount of the machineries and equipment as at the end of the reporting period.

The carrying amount and depreciation charges of property, plant and equipment is disclosed in Note 4 to the financial statements.

(ii) **Impairment of property, plant and equipment and intangible assets**

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of the property, plant and equipment and intangible assets do not exceed their recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash generating units to which the assets belongs. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate, product life cycle and discount rate.

(iii) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 6 to the financial statements.

(iv) **Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimate is made. Possible changes in these estimates could result in revisions to the valuations of inventories.

The inventories written-down to their net realisable value are disclosed in Note 12 to the financial statements.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty (cont'd)

(v) Provision for expected credit losses of receivables

The Group uses a provision matrix to calculate expected credit losses for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The provision for expected credit loss is disclosed in Note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Basis of Consolidation (cont'd)**

(ii) **Business combination**

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) **Acquisitions of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserve.

(iv) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee.

(v) **Associate**

An associate is defined as an equity in which the Company has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting based on audited financial statements of the associate, where appropriate. Under the equity method of accounting, the Group's share of profits and losses of the associate during the year is included in the profit or loss. The Group's interest in associate is carried in the consolidated statement of financial position at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

(v) Associate (cont'd)

The equity method of accounting is discontinued when the Group's share of losses of the associate exceeds the carrying amount of investment, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

In the Company's separate financial statements, investment in an associate is stated at cost less any accumulated impairment losses.

Upon the disposal of investment in an associate, the difference between the net disposal proceeds and its carrying amount is included in the profit or loss.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Property, Plant and Equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.2 **Property, Plant and Equipment (cont'd)**

Buildings erected on leasehold land are depreciated on a straight line basis over the lease period of the land of 60 years. Depreciation on other property, plant and equipment is calculated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Machinery and equipment	10% - 33.33%
Furniture, fittings and office equipment	10% - 20%
Computers	20% - 33.33%
Electrical installation	10%
Motor vehicles	20%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated items of property, plant and equipment are retained in the accounts until the items are no longer in use.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceed and its carrying amount is recognised in profit or loss.

3.3 **Investment Properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost. Initial cost comprises purchase price and any directly attributable expenditure for a purchased investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

The investment properties consist of leasehold commercial shops which are depreciated on a straight line basis over the lease period of 99 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases**

Current financial year

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.4.1 **Group as lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.4.1.1 **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

3.4.1.2 **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

Current financial year (cont'd)

3.4.1 Group as lessee (cont'd)

3.4.1.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of hostel and office (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.4.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Previous financial year

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or asset) or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(i) Group as a lessee

Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land and land use right which in substance is a finance lease is classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

Previous financial year (cont'd)

(i) **Group as a lessee (cont'd)**

Operating lease

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

(ii) **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.5 Goodwill Arising on Consolidation

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Intangible Assets

Project management right

The project management right was identified as an identifiable intangible asset acquired through a business combination. The project management right entails the Group to manage the construction of a phase of a property development project in Malaysia and in return will receive project management fee and share of profit generated by the developer from the project.

The project management right is measured at fair value on initial recognition at acquisition date. Following initial recognition, the project management right is carried at cost less accumulated amortisation and accumulated impairment losses.

The useful life of the project management right is assessed to be finite and amortised on a straight-line basis over the estimated economic useful life of the asset. The amortisation expense is recognised in the profit or loss.

The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates being accounted on a prospective basis.

Research and development

Research expenditure on internal projects is recognised as an expense when it is incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products from the commencement of the commercialisation of the products.

The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

Computer software

The cost of computer software licences are capitalised as an intangible asset. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on a straight line basis over the period the asset is expected to generate economic benefits.

Cost associated with developing computer software programs that will generate probable future economic benefits from the use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Intangible Assets (cont'd)

Technical know-how

Technical know-how acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of these intangible assets.

3.7 Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs of all inventories are determined on the first-in, first-out basis.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes direct labour and attributable production overheads.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.9 Financial Instruments

3.9.1 Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.9 **Financial Instruments (cont'd)**

3.9.2 **Classification and subsequent measurement of financial assets**

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

(i) amortised cost ("AC")
(ii) fair value through profit or loss ("FVTPL")
(iii) fair value through other comprehensive income ("FVOCI")

However, in the periods presented the Group and the Company do not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of receivables which is presented within other expenses.

(i) **Financial assets at amortised cost ("AC")**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

(ii) **Financial assets at fair value through profit or loss ("FVTPL")**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3.9.3 **Classification and subsequent measurement of financial liabilities**

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial Instruments (cont'd)

3.9.3 Classification and subsequent measurement of financial liabilities (cont'd)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.9.4 Derivative financial instruments

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

3.9.5 Impairment of financial assets

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade and other receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the first category while 'lifetime ECL' are recognised for the second category.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.9 **Financial Instruments (cont'd)**

3.9.5 **Impairment of financial assets (cont'd)**

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

<u>Trade and other receivables</u>

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime ECL. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors such as external indicators surrounding the economic environment in which the debtor is operating.

For other receivables, the Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

3.9.6 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.10 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.11 **Government Grants**

Government grants, including non-monetary grants, shall not be recognised until there is reasonable assurance attaching to the grants will be complied with and the grants will be received.

Grants related to assets are set up as deferred income and recognised as income on a systematic basis over the estimated useful lives of the assets. Grants related to expenses are recognised as income in the period the grants become receivable. Grants related to future costs are deferred and recognised in the profit or loss in the same period as the related costs.

3.12 **Provision for Liabilities and Warranty Costs**

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Provision for Liabilities and Warranty Costs (cont'd)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

Provision for warranty costs is made in respect of goods sold and still under warranty at the end of the reporting period based on the terms of warranty and historical claim experience.

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

3.13 Revenue Recognition

To determine whether to recognise revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognising revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognised only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue Recognition (cont'd)

Sale of equipment

Revenue from sale of equipment usually includes the customised system/equipment and installation. The sale of the customised system/equipment and installation service are considered as one performance obligation because the promises to transfer customised system/equipment and provide installation service are not capable of being distinct and they are highly interrelated.

The performance obligation for sale of equipment is satisfied at a point in time because the customer does not control the equipment and customer does not simultaneously receive and consume the benefits from the equipment manufactured by the Group.

Revenue is recognised upon shipment or at delivery destination point, provided that the product meets the performance acceptance criteria which is normally carried out prior to shipment. Under certain circumstances, customer acceptance is conducted at customer's site i.e. to ensure that the equipment purchased can be integrated with the customer's existing production flow. Under such circumstance, revenue is only recognised once customer acceptance has been received at customer's site.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of customised system/equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Trading of construction materials

The Group is also in the business of trading of construction materials. Revenue from contracts with customers is recognised at a point in time when control of the goods is transferred to the customers, generally on delivery of the construction materials.

Revenue from rendering of services

Revenue from consulting services is recognised when the services are provided by reference to the stage of completion of the contract at the end of the reporting period. The stage of completion is assessed by management by taking into consideration all information available at the end of the reporting period. In this process, management considers milestone, actual work performed and the estimated costs to complete the work. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Management fee income

Management fee is recognised when services are rendered.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.13 **Revenue Recognition (cont'd)**

3.13.1 **Contract balances**

Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfies its performance obligation under the contract.

3.14 **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.15 **Employee Benefits**

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.16 **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available to set-off against the unutilised tax incentive.

3.17 **Goods and Services Tax ("GST") and Sales and Service Tax ("SST")**

GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% in Malaysia. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

The Finance Ministry of Malaysia has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.17 **Goods and Services Tax ("GST") and Sales and Service Tax ("SST") (cont'd)**

The SST has two elements: a service tax that is charged and levied on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, and a single stage sales tax levied on imported and locally manufactured goods, either at the time of importation or at the time the goods are sold or otherwise disposed of by the manufacturer.

The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

3.18 **Foreign Currency Transactions**

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

3.19 **Share Capital, Share Issuance Costs and Dividends**

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.20 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.21 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) Has control or joint control over the Group;
(ii) Has significant influence over the Group; or
(iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.
(ii) The entity is an associate or joint venture of the other entity.
(iii) Both entities are joint ventures of the same third party.
(iv) The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group.
(viii) The entity, or any member of a group when it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. **PROPERTY, PLANT AND EQUIPMENT**

GROUP

	Leasehold land RM	Buildings on leasehold land RM	Machinery and equipment RM	Furniture, fittings and office equipment RM	Computers RM	Electrical installation RM	Motor vehicles RM	Capital expenditure in progress RM	Total RM
2019									
At cost									
Balance at beginning	**8,705,449**	**70,253,538**	**17,544,228**	**1,497,160**	**4,519,511**	**2,412,903**	**3,716,740**	**23,963**	**108,673,492**
Acquisition of a subsidiary	**-**	**-**	**2,973,658**	**15,104**	**411,669**	**237,793**	**-**	**-**	**3,638,224**
Additions	**-**	**1,922,841**	**449,971**	**223,549**	**1,102,728**	**34,739**	**73,762**	**10,243,455**	**14,051,045**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(69,547)**	**-**	**(69,547)**
Written off	**-**	**-**	**(920,810)**	**(360,677)**	**(196,112)**	**-**	**-**	**-**	**(1,477,599)**
Reclassification	**-**	**9,642,415**	**120,000**	**485,009**	**-**	**19,994**	**-**	**(10,267,418)**	**-**
Balance at end	**8,705,449**	**81,818,794**	**20,167,047**	**1,860,145**	**5,837,796**	**2,705,429**	**3,720,955**	**-**	**124,815,615**
Accumulated depreciation									
Balance at beginning	**1,084,323**	**11,138,506**	**15,356,573**	**1,041,462**	**2,928,775**	**2,306,129**	**3,166,348**	**-**	**37,022,116**
Current charge	**145,091**	**1,239,532**	**900,872**	**161,391**	**996,283**	**27,594**	**229,155**	**-**	**3,699,918**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(59,113)**	**-**	**(59,113)**
Written off	**-**	**-**	**(919,776)**	**(360,642)**	**(194,335)**	**-**	**-**	**-**	**(1,474,753)**
Balance at end	**1,229,414**	**12,378,038**	**15,337,669**	**842,211**	**3,730,723**	**2,333,723**	**3,336,390**	**-**	**39,188,168**
Carrying amount	**7,476,035**	**69,440,756**	**4,829,378**	**1,017,934**	**2,107,073**	**371,706**	**384,565**	**-**	**85,627,447**
2018									
At cost									
Balance at beginning	8,705,449	44,233,661	16,069,067	1,063,907	3,149,448	2,313,120	3,509,534	1,344,831	80,389,017
Additions	-	435,382	1,475,161	433,253	1,370,063	99,783	207,206	24,263,627	28,284,475
Reclassification	-	25,584,495	-	-	-	-	-	(25,584,495)	-
Balance at end	8,705,449	70,253,538	17,544,228	1,497,160	4,519,511	2,412,903	3,716,740	23,963	108,673,492
Accumulated depreciation									
Balance at beginning	1,001,926	10,241,552	14,805,865	990,447	2,178,248	2,303,473	2,896,742	-	34,418,253
Current charge	82,397	896,954	550,708	51,015	750,527	2,656	269,606	-	2,603,863
Balance at end	1,084,323	11,138,506	15,356,573	1,041,462	2,928,775	2,306,129	3,166,348	-	37,022,116
Carrying amount	7,621,126	59,115,032	2,187,655	455,698	1,590,736	106,774	550,392	23,963	71,651,376

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

	Computers	
	2019	2018
	RM	RM
At cost	**3,150**	3,150
Accumulated depreciation		
Balance at beginning	**3,149**	2,887
Current charge	**-**	262
Balance at end	**3,149**	3,149
Carrying amount	**1**	1

GROUP

(i) The carrying amount of leasehold land amounting to **RM4,911,001** (2018: RM4,994,592) is charged to a licensed bank as security for banking facility granted to a subsidiary.

(ii) The carrying amount of property, plant and equipment acquired under finance lease is as follows:

	2019	2018
	RM	RM
Motor vehicles	**-**	249,009

5. INVESTMENT PROPERTIES

	Leasehold commercial shops	
	2019	2018
	RM	RM
At cost		
Balance at beginning/Additions	**10,050,000**	10,050,000
Current year depreciation	**(101,515)**	-
Balance at end	**9,948,485**	10,050,000

(i) The investment properties are held for capital appreciation.

(ii) On initial recognition, the investment properties are measured at their initial purchase price net of directly attributable expenditure. In 2018, the fair value of the investment properties approximate the cost recorded as the investment properties were purchased near the end of the reporting period.

5. **INVESTMENT PROPERTIES (CONT'D)**

(iii) The fair value measurement of investment properties are disclosed as follows:

	2019 RM	2018 RM
Fair value hierarchy		
Level 2	**10,053,000**	10,050,000

Level 2 - measured by reference to the valuation by independent professional qualified valuers or the open market value of properties in the vicinity. The key input under this approach is the price per square foot from sale of comparable properties.

6. **GOODWILL ON CONSOLIDATION**

	GROUP	
	2019 RM	2018 RM
Goodwill arising from acquisition of subsidiary	**4,495,368**	-

The Group's goodwill arose from business combinations in connection with the acquisition of TP Concept Sdn. Bhd. ("TP") in 2019. Goodwill arose in the acquisition of TP as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of TP. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit of factory automation solutions – medical devices.

The recoverable amount for the cash generating unit was determined based on value-in-use calculations covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rates stated below.

The key assumptions used for value in use calculations were as follows:

	2019	2018
Average growth rates	**4%**	N/A
Discount rates	**17%**	N/A

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

7. INTANGIBLE ASSETS

	GROUP 2019 RM	GROUP 2018 RM
Project management right (Note 7.1)	**-**	-
Development expenditure (Note 7.2)	**16,571,585**	9,371,100
Computer software acquired (Note 7.3)	**1,135,202**	1,425,548
Technical know-how (Note 7.4)	**22,393,000**	-
	40,099,787	10,796,648

7.1 Project management right

	GROUP 2019 RM	GROUP 2018 RM
At cost	**9,000,000**	9,000,000
Accumulated amortisation		
Balance at beginning	**9,000,000**	6,921,867
Current charge	**-**	2,078,133
Balance at end	**9,000,000**	9,000,000
Carrying amount	**-**	-

The project management right entails the Group to manage the construction of a phase of a property development project and is amortised over the construction period of the property development project.

7.2 Development expenditure

	GROUP 2019 RM	GROUP 2018 RM
At cost		
Balance at beginning	**28,617,399**	19,246,299
Additions	**7,200,485**	9,371,100
Balance at end	**35,817,884**	28,617,399
Accumulated amortisation		
Balance at beginning	**15,656,299**	15,306,583
Current charge	**-**	349,716
Balance at end	**15,656,299**	15,656,299
Impairment loss	**3,590,000**	3,590,000
Carrying amount	**16,571,585**	9,371,100

Development expenditure relates to development of test and measurement instruments, test handler and solutions and automation warehouse solutions. Development expenditure is amortised over the estimated commercial life of 5 years. Amortisation commences upon commercialisation of the respective products developed.

7. INTANGIBLE ASSETS (CONT'D)

7.3 Computer software acquired

	GROUP	
	2019	2018
	RM	RM
At cost		
Balance at beginning	**4,934,209**	3,479,082
Additions	**474,441**	1,455,127
Written off	**(491,429)**	-
Balance at end	**4,917,221**	4,934,209
Accumulated amortisation		
Balance at beginning	**3,508,661**	2,894,084
Current charge	**764,770**	614,577
Written off	**(491,412)**	-
Balance at end	**3,782,019**	3,508,661
Carrying amount	**1,135,202**	1,425,548

The cost of computer software comprised the cost of acquisition of software and all directly attributable costs of preparing the assets for their intended use and are amortised on a straight line basis over the estimated life of 2 to 5 years. The amount amortised is charged to profit or loss of the Group under administrative expenses.

7.4 Technical know-how

	GROUP	
	2019	2018
	RM	RM
At cost		
Acquisition of a subsidiary	**22,393,000**	-

The technical know-how represents the research development information, technical data, design, prototypes and empirical data related to the technology of manufacturing and assembling of the automation machines and die casting parts for the medical industry.

The technical know-how was measured at their fair values using the income approach (excess earnings method) at the date of acquisition, i.e. 27 September 2019 and the valuation of the technical know-how is performed by Graval Consulting Limited, an independent professional valuer not related to the Group. The expected useful lives of technical know-how is 10 years.

8. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2019	2018
	RM	RM
Unquoted shares, at cost		
Balance at beginning	**68,499,654**	79,346,874
Additions	**31,567,571**	-
Disposals	**(2,412,033)**	(10,847,220)
	97,655,192	68,499,654

(i) Details of the subsidiaries, all of which were incorporated in Malaysia, except where indicated are as follows:

	Name of Company	Effective Equity Interest 2019	2018	Principal Activities
	Direct			
#	Pentamaster International Limited (Incorporated in Cayman Islands)	**63.7%**	63.1%	Investment holding.
	Pentamaster Smart Solution Sdn. Bhd.	**100%**	100%	Designing and manufacturing of smart control solution systems.
	Origo Ventures (M) Sdn. Bhd.	**100%**	100%	Property project management activities.
	Indirect – held through Pentamaster International Limited			
	Pentamaster Technology (M) Sdn. Bhd.	**100%**	100%	Design, manufacturing and installation of computerised automation systems and equipment.
	Pentamaster Equipment Manufacturing Sdn. Bhd.	**100%**	100%	Equipment design and manufacturing services and manufacturing of high precision machine parts.
	Pentamaster Instrumentation Sdn. Bhd.	**100%**	100%	Designing and manufacturing of automated testing equipment and test and measurement system.
	Indirect – held through Pentamaster Equipment Manufacturing Sdn. Bhd.			
	TP Concept Sdn. Bhd.	**100%**	-	Manufacturing and assembling of medical machines and manufacturing of die casting parts.
*	Pentamaster Equipment Manufacturing, Inc. (Incorporated in California, the United States of America)	**100%**	100%	Providing of sales and support services.

\# *Audited by a member firm of Grant Thornton International Limited.*
* *Not audited by Grant Thornton.*

8. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(ii) **Investment in Pentamaster International Limited ("PIL")**

In 2018, subsequent to the completion of PIL's listing exercise on the Main Board of the Stock Exchange of Hong Kong Limited ("Listing Exercise"), the Company has disposed of 176,000,000 ordinary shares of HKD0.01 each in PIL for a consideration of HKD1.00 each or equivalent to RM87,102,400 while PIL had allotted and issued 192,000,000 new ordinary shares of HKD0.01 each for a consideration of HKD1.00 per share. The Listing Exercise was completed on 19 January 2018. The Company's equity interest in PIL was reduced to 63.1% as a result of the Listing Exercise.

In 2019, the Company disposed of 32,592,000 ordinary shares of HKD0.01 each in PIL for a consideration of RM26,635,976 and acquired 42,420,000 ordinary shares of HKD0.01 each in PIL for a consideration of RM31,567,571. The Company's equity interest in PIL was increased to 63.7%.

(iii) **Acquisition of TP Concept Sdn. Bhd. ("TP")**

On 27 September 2019, an indirectly wholly-owned subsidiary of the Company, Pentamaster Equipment Manufacturing Sdn. Bhd. ("PQ"), acquired 250,000 ordinary shares of TP, representing 100% of the issued and paid-up share capital of TP, for a total purchase consideration of RM21,000,000 satisfied in the following manner:

No.	Consideration	RM
1.	Cash	**9,000,000**
2.	Deferred cash payment over a period of 2 years	**12,000,000**
		21,000,000

All existing shareholders of TP jointly and severally warrant that the aggregate profit before tax in respect of TP for year ended 31 March 2020 ("FYE2020") and year ended 31 March 2021 ("FYE2021") shall not be less than RM12,000,000. They shall be liable to pay the shortfall to the Group if the aggregate profit guarantee is not achieved.

The Directors of the Group consider the fair value of the contingent consideration receivable arising from the profit guarantee as at the acquisition date and at 31 December 2019 was insignificant by reference to a cash flow forecast.

The fair value of the purchase consideration is derived based on the following:

	RM
Cash consideration	**9,000,000**
Deferred cash consideration (Note 21)	**11,393,240**
Total fair value of consideration transferred	**20,393,240**

8. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(iii) **Acquisition of TP Concept Sdn. Bhd. ("TP") (cont'd)**

The following are the carrying amount of the assets and liabilities which is also the fair value on acquisition date:

	RM
Property, plant and equipment (Note 4)	3,638,224
Intangible assets – technical know-how (Note 7.4)	22,393,000
Inventories	18,802,586
Trade and other receivables	11,483,934
Cash and cash equivalents	(6,379,060)
Trade and other payables	(26,630,647)
Deferred income (Note 19)	(2,035,845)
Deferred tax liabilities (Note 20)	(5,374,320)
Net identifiable assets	15,897,872

Goodwill arising from acquisition:

	RM
Total fair value of consideration transferred	20,393,240
Fair value of net identifiable assets acquired	(15,897,872)
Goodwill (Note 6)	4,495,368
Net cash outflow on acquisition of a subsidiary	
Consideration paid in cash	(9,000,000)
Cash and cash equivalent acquired	(6,379,060)
	(15,379,060)

(iv) **Incorporation of Pentamaster Equipment Manufacturing, Inc. ("PEMI")**

On 18 January 2018, PQ, an indirect wholly owned subsidiary of the Company had incorporated a wholly-owned corporation, Pentamaster Equipment Manufacturing, Inc. ("PEMI") in the state of California, the United States of America with an issued and paid-up share capital of USD10,000 comprising of 1,000 ordinary shares of USD10 each.

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(v) Non-controlling interests in a subsidiary

The Group's subsidiary that has material non-controlling interests ("NCI") is as follows:

	Pentamaster International Limited and its subsidiaries	
	2019	2018
	RM	RM
NCI percentage of ownership interest and voting interest	**36.3%**	36.9%
Carrying amount of NCI	**159,285,350**	118,220,107
Profit allocated to NCI	**48,055,486**	36,903,210
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	**146,567,867**	76,398,616
Current assets	**431,790,516**	421,549,122
Non-current liabilities	**(13,044,172)**	(3,633,897)
Current liabilities	**(126,390,676)**	(173,934,147)
Net assets	**438,923,535**	320,379,694
Financial year ended 31 December		
Revenue	**487,088,426**	417,097,881
Profit after tax, representing total comprehensive income for the financial year	**131,383,114**	100,008,699
Summary of cash flows for the financial year ended 31 December		
Net cash from operating activities	**141,380,245**	69,655,785
Net cash used in investing activities	**(31,977,364)**	(30,124,173)
Net cash (used in)/from financing activities	**(21,397,540)**	89,938,649
Net cash inflow for the financial year	**88,005,341**	129,470,261

9. INVESTMENT IN AN ASSOCIATE

	GROUP	
	2019	2018
	RM	RM
Unquoted shares, at cost	**4,900,000**	3,150,000
Share of post-acquisition reserves	**(837,832)**	(103,846)
	4,062,168	3,046,154

9. INVESTMENT IN AN ASSOCIATE (CONT'D)

Details of the associate which is incorporated in Malaysia are as follows:

Name of Company	Effective Equity Interest 2019	Effective Equity Interest 2018	Principal Activities
Direct			
# Penang Automation Cluster Sdn. Bhd. ("PAC")	**35 %**	35%	Providing value added engineering development and technical training to automation cluster companies specialised in the area of design, development and manufacture of high precision metal fabrication components, modules and systems for semiconductor, electronics, automotive, aerospace and other high growth industries in the region

 # Not audited by Grant Thornton.

During the financial year, Pentamaster Technology (M) Sdn. Bhd. ("PT"), a subsidiary of the Company increased its investment in PAC by RM1,750,000 through the subscription of an additional 1,750,000 new ordinary shares. The increase in investment did not result in any change in percentage ownership of PT in PAC.

The following table is the summarised information of PAC, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2019 RM	2018 RM
Summarised financial information		
As at 31 December		
Non-current assets	**41,070,301**	11,096,451
Current assets	**1,990,402**	1,298,324
Current liabilities	**(31,461,011)**	(3,697,976)
Net assets	**11,599,692**	8,696,799
Year ended 31 December		
Net loss, representing total comprehensive loss	**(2,097,107)**	(185,598)
Included in total comprehensive loss above are the following:		
Revenue	**343,813**	-
Other income	**60,785**	60,425
Operating expenses	**(2,457,984)**	(230,759)
Taxation	**(43,721)**	(15,264)

9. INVESTMENT IN AN ASSOCIATE (CONT'D)

	2019 RM	2018 RM
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**4,059,893**	3,043,879
Goodwill	**2,275**	2,275
Carrying amount in the statement of financial position	**4,062,168**	3,046,154
Group's share of results for the financial year ended 31 December		
Group's share of loss	**(733,986)**	(64,960)
Contractual commitments		
Purchase of investment properties	**-**	16,689,598

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables [i]	**16,662,019**	16,838,452	**-**	-
Refundable deposits	**23,202,566**	1,400,280	**2,200**	3,900
Non-refundable deposits [ii]	**1,737,291**	10,689,934	**-**	-
Prepayments	**497,243**	426,577	**6,305**	6,190
GST claimable	**387,653**	5,473,416	**-**	78,718
	42,486,772	34,828,659	**8,505**	88,808
Less : Non-current portion				
Refundable deposits [iii]	**(21,460,188)**	-	**-**	-
Current portion	**21,026,584**	34,828,659	**8,505**	88,808

GROUP

(i) Included in other receivables is an amount of **RM16,642,019** (2018: RM16,792,019) due from a related party, Maarij Development Sdn. Bhd. ("MDSB") for project financing expenses paid on behalf of MDSB for the property development project in which the Group is managing (Refer to Note 7.1 to the financial statements).

(ii) Non-refundable deposits are mainly for deposits paid to suppliers for purchase of raw materials and machines.

(iii) The amount represents partial payment for a potential investment in a foreign company involving in manufacturing of electronic components. The completion of the investment is pending fulfillment of condition precedent by the Group and the target company.

11. AMOUNT DUE FROM/TO SUBSIDIARIES

The amount due from/to subsidiaries is non-trade related, unsecured, non-interest bearing and classified based on the expected timing of realisation.

12. INVENTORIES

	GROUP	
	2019	2018
	RM	RM
Raw materials	**2,355,978**	5,173,946
Work-in-progress	**56,459,104**	131,376,074
Finished goods	**642,806**	1,564,537
At carrying amount	**59,457,888**	138,114,557
Recognised in profit or loss:		
Inventories recognised as cost of sales	**308,761,909**	283,285,237
Write-down to net realisable value		
- Addition	**2,496,684**	175,518
- Reversal	**(434,295)**	(20,754)

The reversal of inventories written down was made during the financial year when the related inventories were sold above their carrying amounts.

13. TRADE RECEIVABLES

	GROUP	
	2019	2018
	RM	RM
Trade receivables	**69,423,561**	51,912,986
Less: Allowance for expected credit losses		
Balance at beginning	**-**	(106,000)
Current year	**(3,823,630)**	-
Reversal	**-**	6,000
Written off	**-**	100,000
Balance at end	**(3,823,630)**	-
	65,599,931	51,912,986

(i) The normal credit terms granted to trade receivables range from **14 to 120 days** (2018: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Included in trade receivables are the following:

(a) an amount of **RM436,432** (2018: RM436,432) being retention sum relating to an ongoing smart building solutions project.

(b) an amount of **RM1,290,000** (2018: RM1,790,000) due from a related party, MDSB.

13. **TRADE RECEIVABLES (CONT'D)**

(iii) The currency profile of trade receivables is as follows:

	GROUP	
	2019	2018
	RM	RM
Ringgit Malaysia	**12,371,410**	8,756,753
Chinese Renminbi	**7,178,709**	-
Euro	**-**	174,066
US Dollar	**45,737,067**	42,501,798
Singapore Dollar	**312,745**	480,369
	65,599,931	51,912,986

14. **DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)**

The Group enters into foreign currency forward contracts to manage its exposure to sales and purchases transactions that are denominated in foreign currencies. Foreign currency forward contracts are recognised as derivatives, categorised as fair value through profit or loss and are measured at their fair values with gains or losses recognised in the profit or loss. The foreign currency forward contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting.

	GROUP	
	2019	2018
	RM	RM
Derivatives at fair value through profit or loss		
- Foreign currency forward contracts		
Notional value of contracts	**90,691,200**	162,763,200
Assets/(Liabilities)	**2,395,368**	(4,810,372)

15. **CASH AND CASH EQUIVALENTS**

	GROUP		**COMPANY**	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Cash and bank balances	**96,377,422**	115,708,367	**1,183,494**	671,465
Fixed deposits with licensed banks	**-**	106,590,000	**-**	41,000,000
Short-term investments	**326,873,998**	102,354,856	**118,032,059**	65,095,883
	423,251,420	324,653,223	**119,215,553**	106,767,348

(i) The effective interest rate of the fixed deposits as at the end of the reporting period was 3.20% to 3.30% per annum.

15. **CASH AND CASH EQUIVALENTS (CONT'D)**

(ii) The effective interest rate for the short-term investments is **3.12% to 3.52%** (2018: 3.45% to 3.70%) per annum and can be redeemed at any time upon notice being given to the financial institution. The short-term investment represents investment in unit trusts. The unit trusts invest in a mixture of money market instruments with different maturity period.

(iii) The currency profile of cash and cash equivalents is as follows:

	GROUP		**COMPANY**	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Ringgit Malaysia	**380,476,954**	219,391,679	**118,630,259**	106,766,322
US Dollar	**5,121,913**	9,908,442	**-**	-
Hong Kong Dollar	**37,018,202**	94,697,014	**585,294**	1,026
Chinese Renminbi	**283,797**	192,411	**-**	-
Euro	**32,972**	329,903	**-**	-
Singapore Dollar	**296,823**	114,215	**-**	-
Others	**20,759**	19,559	**-**	-
	423,251,420	324,653,223	**119,215,553**	106,767,348

16. **SHARE CAPITAL**

	Number of ordinary shares		**Amount**	
	2019	2018	**2019**	2018
			RM	RM
Issued and fully paid:				
Balance at beginning	**316,585,424**	316,585,424	**79,303,370**	79,303,370
Bonus Issue	**158,292,675**	-	**-**	-
Balance at end	**474,878,099**	316,585,424	**79,303,370**	79,303,370

During the financial year, the Company issued 158,292,675 new ordinary shares ("Bonus Shares") on the basis of one (1) Bonus Share for every two (2) existing shares held. The Bonus Share issue was completed on 28 June 2019 following the listing and quotation of the Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad on even date.

The new ordinary shares issued during the year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

17. **RETAINED PROFITS**

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

18. **BORROWINGS**

	GROUP	
	2019	2018
	RM	RM
Non-current liabilities		
Term loan		
Total amount repayable	**3,362,156**	3,679,809
Amount due within one year included under current liabilities	**(357,700)**	(333,921)
	3,004,456	3,345,888
	3,004,456	3,345,888
Current liabilities		
Finance lease liabilities	**-**	82,206
Term loan	**357,700**	333,921
	357,700	416,127
Total borrowings	**3,362,156**	3,762,015

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
2019						
Term loan	**4.55**	**3,362,156**	**357,700**	**374,319**	**1,230,575**	**1,399,562**
2018						
Finance lease liabilities	2.54 to 2.63	82,206	82,206	-	-	-
Term loan	4.80	3,679,809	333,921	350,307	1,157,473	1,838,108

The finance lease liabilities were secured over the leased assets (Note 4(ii)).

The term loan is secured by way of legal charge over a leasehold land of a subsidiary of the Company and corporate guarantee given by a subsidiary of the Company.

19. DEFERRED INCOME

	GROUP	
	2019	2018
	RM	RM
Balance at beginning	**288,009**	419,218
Acquisition of a subsidiary	**2,035,845**	-
Released to profit or loss	**(251,820)**	(131,209)
Balance at end	**2,072,034**	288,009

Deferred income represents government grants received by certain subsidiaries for reimbursements of capital expenditure spent on modernisation and upgrading of specified machineries and equipment. Deferred income is released to profit or loss over the periods to match the related cost which the grants are intended to compensate, on a systematic basis. There are no unfulfilled conditions or contingencies relating to the grants.

20. DEFERRED TAX LIABILITIES

The deferred tax liabilities arising from fair value adjustment on business combination during the year is as follows:

	GROUP	
	2019	2018
	RM	RM
Acquisition of a subsidiary/ Balance at end	**5,374,320**	-

21. OTHER PAYABLES, ACCRUALS AND PROVISION

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Other payables	**1,774,141**	1,836,761	**15,968**	4,838
Amount due to former shareholders of a subsidiary (i)	**5,500,000**	-	**-**	-
Deferred cash consideration (ii)	**11,393,240**	-	**-**	-
Accruals	**26,783,946**	19,884,705	**416,618**	411,450
SST payable	**-**	12,385	**-**	-
Provision for warranty	**865,600**	735,900	**-**	-
	46,316,927	22,469,751	**432,586**	416,288
Less: non-current portion				
Deferred cash consideration (ii)	**(5,597,818)**	-	**-**	-
Current portion	**40,719,109**	22,469,751	**432,586**	416,288

21. OTHER PAYABLES, ACCRUALS AND PROVISION (CONT'D)

(i) The amount due to former shareholders of a subsidiary is unsecured, non-interest bearing and repayable on demand. The carrying amounts of the amounts due are considered reasonable approximation of their fair values.

(ii) Deferred cash consideration arose as part of the purchase consideration to satisfy the acquisition of a subsidiary. The deferred cash consideration shall be paid to the former shareholders subsequent to the completion date of sales and purchase agreement ("SPA") in the following manner:

Payment timeframe (from completion date of SPA)	Deferred Cash Consideration RM	Present Value # RM
At the end of 12 months	6,000,000	5,795,422
At the end of 24 months	6,000,000	5,597,818
Total	12,000,000	11,393,240

Includes effect of discounting the deferred cash consideration, at a discount rate of 3.53% p.a.

22. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2019 RM	2018 RM
Ringgit Malaysia	**30,757,483**	38,056,950
US Dollar	**2,015,602**	1,723,372
Singapore Dollar	**183,731**	183,847
Euro	**20,375**	38,129
Chinese Renminbi	**53,906**	-
Others	**649**	-
	33,031,746	40,002,298

The normal credit terms granted by trade payables range from **30 to 150 days** (2018: 30 to 120 days).

Included in trade payables is an amount of **RM87,454** (2018: RM Nil) due to the Group's associate.

23. CONTRACT LIABILITIES

	GROUP	
	2019	2018
	RM	RM
Balance at end	**49,558,604**	99,091,796

Contract liabilities comprised of deposits received from customers for manufacturing orders.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract. The deposit will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

All deposits received are expected to be settled within one year.

Contract liabilities outstanding at the beginning of the year amounting to **RM82,892,322** (2018: RM113,950,309) have been recognised as revenue during the year.

24. REVENUE

24.1 Disaggregation of revenue from contracts with customer

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Types of goods or services				
Sale of equipment				
- Automated test equipment (previously known as automated equipment)	**422,488,627**	337,884,068	**-**	-
- Factory automation solutions (previously known as automated manufacturing solutions)	**64,599,799**	79,209,813	**-**	-
- Smart control solution system	**3,016,563**	2,726,137	**-**	-
Trading of construction materials	**-**	880,630	**-**	-
Consulting services	**-**	1,500,000	**-**	-
Dividend income received from a subsidiary	**-**	-	**8,100,012**	-
Management fee	**-**	-	**600,000**	617,000
Total revenue from contracts with customer	**490,104,989**	422,200,648	**8,700,012**	617,000

24. REVENUE (CONT'D)

24.1 Disaggregation of revenue from contracts with customer (cont'd)

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Geographical markets				
Singapore	**257,512,130**	243,782,035	**-**	-
Taiwan	**68,670,445**	19,779,432	**-**	-
People's Republic of China ("PRC") (including Hong Kong)	**39,622,831**	44,709,092	**8,100,012**	617,000
Japan	**31,025,777**	17,397,632	**-**	-
Malaysia	**28,937,828**	32,097,263	**600,000**	-
Republic of Ireland	**18,653,065**	31,659,086	**-**	-
Philippines	**18,204,479**	2,065,355	**-**	-
USA	**9,320,222**	22,605,393	**-**	-
Others	**18,158,212**	8,105,360	**-**	-
Total revenue from contracts with customer	**490,104,989**	422,200,648	**8,700,012**	617,000
Timing of revenue recognition				
At a point in time	**490,104,989**	420,700,648	**8,100,012**	-
Over time	**-**	1,500,000	**600,000**	617,000
Total revenue from contracts with customer	**490,104,989**	422,200,648	**8,700,012**	617,000

24.2 Performance obligations

The performance obligations of the Group and of the Company for each type of goods/services have been disclosed in Notes 3.13 to the financial statements.

25. PROFIT BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
After charging:				
Amortisation of intangible assets:				
- computer software	**764,770**	614,577	**-**	-
- development expenditure	**-**	349,716	**-**	-
- project management right	**-**	2,078,133	**-**	-
Auditors' remuneration				
- Company's auditors:				
- statutory audit	**301,804**	205,388	**50,000**	40,000
- other services	**40,000**	309,453	**3,000**	3,000
- Other auditors:				
- statutory audit	**238,059**	277,872	**-**	-
- other services	**-**	496,225	**-**	-
Deposit forfeited	**-**	31,947	**-**	-
Depreciation:				
- property, plant and equipment	**3,699,918**	2,603,863	**-**	262
- investment properties	**101,515**	-	**-**	-
Directors' fees				
- Directors of the Company				
• executive directors	**24,000**	24,000	**24,000**	24,000
• non-executive directors	**307,462**	295,723	**168,000**	168,000
- Director of a subsidiary				
• executive directors	**38,035**	34,833	**-**	-
• non-executive directors	**209,194**	191,583	**-**	-
Expected credit loss on receivables				
- current year	**3,823,630**	-	**-**	-
- reversal	**-**	(6,000)	**-**	-
Intangible assets written off	**17**	-	**-**	-
Interest expense	**186,965**	191,849	**-**	-
Inventories written down to net realisable value				
- addition	**2,496,684**	175,518	**-**	-
- reversal	**(434,295)**	(20,754)	**-**	-
Listing expenses	**-**	7,145,535	**-**	5,498,675
Loss on changes in fair value of foreign currency forward contracts	**-**	5,271,505	**-**	-
Net loss on foreign exchange				
- realised	**2,308,416**	2,843,198	**-**	-
- unrealised	**2,816,692**	-	**13,684**	-
Property, plant and equipment written off	**2,846**	-	**-**	-
Provision for warranty				
- current year	**865,600**	735,900	**-**	-
- reversal	**(735,900)**	(444,000)	**-**	-
Rental of hostel	**783,164**	880,454	**-**	-
Rental of office	**153,401**	80,776	**-**	-
Rental of plant and equipment	**30,020**	15,630	**-**	-
Rental of premises	**-**	-	**35,844**	207,897
* Staff cost	**65,747,136**	48,472,601	**1,510,856**	729,741

25. PROFIT BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
After crediting:				
Deferred income released	**251,820**	131,209	**-**	-
Dividend income	**-**	-	**8,100,012**	-
Gain on changes in fair value of foreign currency forward contracts	**7,205,740**	-	**-**	-
Gain on disposal of property, plant and equipment	**13,966**	-	**-**	-
Gain on disposal of investment in subsidiaries	**-**	-	**24,223,943**	76,255,180
Interest income	**10,594,703**	3,112,964	**3,851,118**	1,130,292
Net gain on foreign exchange				
- realised	**-**	-	**258,514**	1,494,600
- unrealised	**-**	8,328,511	**-**	6,036
* **Staff costs**				
- Salaries, allowances, bonus, incentive and overtime	**59,361,501**	43,654,020	**1,316,638**	650,393
- EPF	**5,612,330**	4,139,411	**191,570**	77,588
- EIS	**42,336**	37,528	**182**	103
- SOCSO	**730,969**	641,642	**2,466**	1,657
	65,747,136	48,472,601	**1,510,856**	729,741

Included in the staff costs are Directors' emoluments as shown below:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**580,000**	580,000	**580,000**	580,000
- EPF	**69,600**	69,600	**69,600**	69,600
	649,600	649,600	**649,600**	649,600
- Benefits-in-kind	**-**	-	**-**	-
	649,600	649,600	**649,600**	649,600
Non-executive:				
- Salaries, allowances and bonus	**3,056,877**	1,963,391	**470,000**	18,500
- EPF	**459,100**	232,839	**90,000**	-
	3,515,977	2,196,230	**560,000**	18,500
- Benefits-in-kind	**28,000**	28,000	**-**	-
	3,543,977	2,224,230	**560,000**	18,500
	4,193,577	2,873,830	**1,209,600**	668,100

25. PROFIT BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Represented by:				
Present directors				
- Executive	**649,600**	649,600	**649,600**	649,600
- Non-executive	**3,543,977**	2,224,230	**560,000**	18,500
	4,193,577	2,873,830	**1,209,600**	668,100
Directors of subsidiaries:				
Executive:				
- Salaries, allowances and bonus	**1,074,925**	924,871	**-**	-
- EPF	**176,817**	103,853	**-**	-
	1,251,742	1,028,724	**-**	-
Non-executive:				
- Allowances	**13,705**	12,715	**-**	-
	1,265,447	1,041,439	**-**	-

26. TAXATION

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Malaysia income tax:				
Based on results for the financial year				
- Current year	**(7,741,734)**	(5,604,948)	-	-
- (Under)/Over provision in prior year	**(56,870)**	17,955	**-**	126
	(7,798,604)	(5,586,993)	**-**	126

26. **TAXATION (CONT'D)**

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Profit before taxation	**138,896,547**	99,606,871	**33,659,453**	71,996,534
Share of result of associate	**733,986**	64,960	**-**	-
	139,630,533	99,671,831	**33,659,453**	71,996,534
Income tax at Malaysian statutory tax rate of 24%	**(33,511,328)**	(23,921,239)	**(8,078,269)**	(17,279,168)
Income not subject to tax	**2,457,286**	1,242,246	**8,676,323**	18,797,038
Effect of difference tax rates in foreign jurisdiction	**29,711**	9,673	**-**	-
Exempt pioneer income[(i)]	**24,568,908**	20,416,173	**-**	-
Expenses not deductible for tax purposes	**(3,792,311)**	(3,238,201)	**(342,054)**	(1,369,870)
Deferred tax movement not recognised	**1,936,000**	(96,600)	**(5,000)**	(148,000)
Utilisation of unabsorbed tax losses and capital allowances	**570,000**	(17,000)	**(251,000)**	-
	(7,741,734)	(5,604,948)	**-**	-
(Under)/Over provision in prior year	**(56,870)**	17,955	**-**	126
	(7,798,604)	(5,586,993)	**-**	126

(i) 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.

(ii) The deferred tax assets not recognised as at the end of the reporting period prior to set-off are as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Property, plant and equipment	**5,117,000**	3,540,000	**-**	-
Unabsorbed capital allowances	**(52,000)**	(157,000)	**(14,000)**	(14,000)
Unabsorbed tax losses	**(4,705,000)**	(5,170,000)	**(1,563,000)**	(1,312,000)
Others	**(2,454,000)**	(2,813,000)	**(4,000)**	1,000
	(2,094,000)	(4,600,000)	**(1,581,000)**	(1,325,000)

26. TAXATION (CONT'D)

(iii) The unabsorbed capital allowances and tax losses available to be carried forward for set-off against future assessable income of a nature and amount for the tax credits to be utilised are as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Unabsorbed capital allowances	**(218,000)**	(655,000)	**(59,000)**	(59,000)
Unabsorbed tax losses	**(19,605,000)**	(21,543,000)	**(6,514,000)**	(5,468,000)
	(19,823,000)	(22,198,000)	**(6,573,000)**	(5,527,000)

The unused tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment (unused tax losses accumulated up to year of assessment 2018 can be carried forward until year assessment of 2025) and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

The unabsorbed tax losses of the Group and of the Company will expire in the following years of assessment ("YA"):

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
YA 2026	**(2,258,000)**	-	**(1,046,000)**	-
YA 2025	**(17,347,000)**	(21,543,000)	**(5,468,000)**	(5,468,000)
	(19,605,000)	(21,543,000)	**(6,514,000)**	(5,468,000)

27. EARNINGS PER SHARE

GROUP

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2019	2018
Profit attributable to owners of the Company (RM)	**83,042,457**	57,116,668
Weighted average number of ordinary shares	**474,878,099**	474,878,099*
Basic earnings per share (sen)	**17.49**	12.03*

* As the bonus issue occurred in the financial year ended 31 December 2019, it is treated as if it had occurred before the beginning of 2018, the earliest period presented. Accordingly, the weighted average number of ordinary shares have been restated.

(b) **Diluted**

There is no dilutive potential ordinary shares outstanding during the current and previous financial year.

28. **RELATED PARTY DISCLOSURES**

(i) **Related party transactions**

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Project management income charged to Maarij Development Sdn. Bhd. ("MDSB")	**-**	1,500,000	**-**	-
Purchase from Penang Automation Cluster Sdn. Bhd. ("PAC")	**(186,023)**	-	**-**	-
Transactions with subsidiaries:				
- Management fee income	**-**	-	**600,000**	617,000
- Dividend income	**-**	-	**8,100,012**	-
- Rental expenses	**-**	-	**(35,844)**	(207,897)

Related party	**Relationship**
MDSB	A company in which a person connected to a director of the Company has substantial financial interest.
PAC	An associate of a subsidiary, Pentamaster Technology (M) Sdn Bhd.

(ii) **Compensation of key management personnel**

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly. The remuneration of key management personnel during the financial year is as follows:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Employees' salaries, allowances and bonus	**8,841,841**	5,644,909	**1,050,000**	598,500
Post-employment benefits:				
- EPF	**1,175,173**	645,775	**159,600**	69,600
	10,017,014	6,290,684	**1,209,600**	668,100
Analysed as:				
- Directors	**5,431,024**	3,887,269	**1,209,600**	668,100
- Other key management personnel	**4,585,990**	2,403,415	**-**	-
	10,017,014	6,290,684	**1,209,600**	668,100

29. CAPITAL COMMITMENT

	GROUP	
	2019	2018
	RM	RM
Contracted but not provided for		
- Construction of building	**5,814,909**	8,831,800
- Purchase of machinery	**6,161,499**	9,323,347

30. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments.

(i) Business segments

The Group has three reportable segments which comprised its major business segments. These business segments are involved in different activities and are managed by segment managers who report directly to the Group's executive directors. The reportable segments are as follows:-

- Automated Test Equipment (previously known as automated equipment)
  - Designing, development and manufacturing of standard and non-standard automated equipment.

- Factory Automation Solutions (previously known as automated manufacturing solution)
  - Designing, development and installation of integrated automated manufacturing solutions.

- 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 reportable segments. Investment holding activities are not considered as reporting segment and the related financial information has been included under "Adjustment".

The Group's executive directors monitor the performance of the business segments through regular discussions held with the segment managers and review of internal management reports. The performance of each business segment is evaluated based on the segment's profit or loss which is measured on a basis not significantly different from the profit or loss included in the consolidated financial statements.

30. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Automated Test Equipment RM	Factory Automation Solutions RM	Smart Control Solution System RM	Adjustment RM	Note	Total RM
2019						
Revenue						
External customers	422,488,627	64,599,799	3,016,563	-		490,104,989
Inter-segment revenue	8,733,675	19,710,986	84,250	(28,528,911)	A	-
Total revenue	431,222,302	84,310,785	3,100,813			490,104,989
Results						
Segment results	128,758,460	8,334,262	(1,617,856)	(6,252,071)		129,222,795
Interest income	6,312,690	430,398	417	3,851,198		10,594,703
Interest expense	(185,910)	-	(1,055)	-		(186,965)
Share of associate's loss	-	-	-	(733,986)		(733,986)
Profit before taxation	134,885,240	8,764,660	(1,618,494)			138,896,547
Taxation	(7,755,211)	(42,893)	(500)			(7,798,604)
Profit for the financial year	127,130,029	8,721,767	(1,618,994)			131,097,943
Assets						
Segment assets	194,200,763	101,661,411	39,809,779	(21,498,739)		314,173,214
Tax recoverable	-	28,957	116,561	110		145,628
Cash and cash equivalents	251,768,744	15,744,563	80,718	155,657,395		423,251,420
Total assets	445,969,507	117,434,931	40,007,058			737,570,262
Liabilities						
Segment liabilities	102,732,636	79,874,408	37,420,811	(89,048,544)		130,979,311
Borrowings	3,362,156	-	-	-		3,362,156
Deferred tax liabilities	-	5,374,320	-	-		5,374,320
Tax payable	1,958,785	9,029	-	-		1,967,814
Total liabilities	108,053,577	85,257,757	37,420,811			141,683,601
Other information						
Addition to non-current assets	19,874,890	33,494,683	110,101	522,889	B	54,002,563
Depreciation and amortisation	3,708,718	809,291	130,087	(81,893)		4,566,203
Non-cash items other than depreciation and amortisation	(2,831,654)	1,838,434	804,275	2,286,679	C	2,097,734

30. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Automated Test Equipment RM	Factory Automation Solutions RM	Smart Control Solution System RM	Adjustment RM	Note	Total RM
2018						
Revenue						
External customers	337,884,068	79,209,813	5,106,767	-		422,200,648
Inter-segment revenue	10,814,050	7,192,060	970,962	(18,977,072)	A	-
Total revenue	348,698,118	86,401,873	6,077,729			422,200,648
Results						
Segment results	93,812,379	8,916,343	580,167	(6,558,173)		96,750,716
Interest income	1,907,741	73,386	1,546	1,130,291		3,112,964
Interest expense	(188,491)	-	(3,358)	-		(191,849)
Share of associate's loss	-	-	-	(64,960)		(64,960)
Profit before taxation	95,531,629	8,989,729	578,355			99,606,871
Taxation	(5,334,515)	(22,081)	(230,523)	126		(5,586,993)
Profit for the financial year	90,197,114	8,967,648	347,832			94,019,878
Assets						
Segment assets	244,223,757	43,595,215	40,910,807	(8,329,399)		320,400,380
Tax recoverable	816,664	-	167,379	236		984,279
Cash and cash equivalents	112,110,233	10,897,008	180,974	201,465,008		324,653,223
Total assets	357,150,654	54,492,223	41,259,160			646,037,882
Liabilities						
Segment liabilities	141,498,114	30,992,943	37,007,385	(42,836,216)		166,662,226
Borrowings	3,715,481	-	46,534			3,762,015
Tax payable	1,151,157	4,583	-			1,155,740
Total liabilities	146,364,752	30,997,526	37,053,919			171,579,981
Other information						
Addition to non-current assets	29,323,506	681,795	19,155,401	2,100,000	B	51,260,702
Depreciation and amortisation	3,122,532	375,477	69,885	2,078,395		5,646,289
Non-cash items other than depreciation and amortisation	4,287,066	(1,021,526)	(36)	(5,916,148)	C	(2,650,644)

30. **SEGMENTAL INFORMATION (CONT'D)**

Notes to segment information:

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consist of property, plant and equipment, intangible assets, investment in an associate and investment properties.

C Other non-cash items consist of the following:

		GROUP	
		2019	2018
		RM	RM
Deferred income released		**(251,820)**	(131,209)
Deposit forfeited		**-**	31,947
Gain on disposal of property, plant and equipment		**(13,966)**	-
Expected credit loss on receivables	- current year	**3,823,630**	-
	- reversal	**-**	(6,000)
Intangible assets written off		**17**	-
Inventories written down	- addition	**2,496,684**	175,518
	- reversal	**(434,295)**	(20,754)
(Gain)/Loss on changes in fair value of foreign currency forward contracts		**(7,205,740)**	5,271,505
Property, plant and equipment written off		**2,846**	-
Provision for warranty	- addition	**865,600**	735,900
	- reversal	**(735,900)**	(444,000)
Share of result of an associate		**733,986**	64,960
Unrealised loss/(gain) on foreign exchange		**2,816,692**	(8,328,511)
		2,097,734	(2,650,644)

(ii) **Geographical Information**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Singapore	**257,512,130**	243,782,035	**-**	-
Taiwan	**68,670,445**	19,779,432	**-**	-
PRC (including Hong Kong)	**39,622,831**	44,709,092	**-**	-
Japan	**31,025,777**	17,397,632	**-**	-
Malaysia	**28,937,828**	32,097,263	**144,233,255**	95,544,178
Republic of Ireland	**18,653,065**	31,659,086	**-**	-
Philippines	**18,204,479**	2,065,355	**-**	-
USA	**9,320,222**	22,605,393	**-**	-
Others	**18,158,212**	8,105,360	**-**	-
	490,104,989	422,200,648	**144,233,255**	95,544,178

30. **SEGMENTAL INFORMATION (CONT'D)**

(iii) **Major Customers**

Total revenue from major customers which individually contributed more than 10% of Group's revenue amounted to **RM307,088,249** (2018: RM283,866,955), arising from **2** (2018: 2) customers from the Group's automated test equipment and factory automation solutions segment.

A customer is defined as a company or a group of companies having the same ultimate holding company.

31. **FINANCIAL INSTRUMENTS**

31.1 **Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVTPL RM
2019			
GROUP			
Financial assets			
Trade receivables	65,599,931	65,599,931	-
Other receivables and refundable deposits	39,864,585	39,864,585	-
Derivative financial assets	2,395,368	-	2,395,368
Cash and cash equivalents	423,251,420	423,251,420	-
	531,111,304	528,715,936	2,395,368
Financial liabilities			
Trade payables	33,031,746	33,031,746	-
Other payables and accruals	45,451,327	45,451,327	-
Borrowings	3,362,156	3,362,156	-
	81,845,229	81,845,229	-
COMPANY			
Financial assets			
Other receivables and refundable deposits	2,200	2,200	-
Inter-company balances	35,598,530	35,598,530	-
Cash and cash equivalents	119,215,553	119,215,553	-
	154,816,283	154,816,283	-
Financial liabilities			
Other payables and accruals	432,586	432,586	-
Inter-company balances	2,065	2,065	-
	434,651	434,651	-

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 Categories of financial instruments (cont'd)

	Carrying amount RM	AC RM	FVTPL RM
2018			
GROUP			
Financial assets			
Trade receivables	51,912,986	51,912,986	-
Other receivables and refundable deposits	18,238,732	18,238,732	-
Cash and cash equivalents	324,653,223	324,653,223	-
	394,804,941	394,804,941	-
Financial liabilities			
Trade payables	40,002,298	40,002,298	-
Other payables and accruals	21,721,466	21,721,466	-
Derivative financial liabilities	4,810,372	-	4,810,372
Borrowings	3,762,015	3,762,015	-
	70,296,151	65,485,779	4,810,372
COMPANY			
Financial assets			
Other receivables and refundable deposits	3,900	3,900	-
Inter-company balances	43,463,558	43,463,558	-
Cash and cash equivalents	106,767,348	106,767,348	-
	150,234,806	150,234,806	-
Financial liabilities			
Other payables and accruals	416,288	416,288	-
Inter-company balances	19,530	19,530	-
	435,818	435,818	-

31.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

31.3 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade and other receivables whilst the Company's exposure to credit risk arises principally from advances to its subsidiaries.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

31.3 **Credit risk (cont'd)**

31.3.1 **Receivables**

Trade receivables

Credit risk arising from trade customers is addressed by the application of credit evaluation and close monitoring procedures by the management. The Group extends to existing customers credit terms that range between **14 to 120 days** (2018: 14 to 90 days). In deciding whether credit terms shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

In addition, as set out in Note 3.9, the Group assesses ECL under MFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 5 years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The Group applies the MFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables using a provision matrix. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is ranged from 0.00% to 1.24%, past due between 0 to 30 days is ranged from 0.25% to 1.49%, past due between 31 to 90 days is ranged from 0.49% to 1.99%, past due between 91 to 365 days is ranged from 0.99% to 2.24% and past due more than 365 days is 100.00%. ECL allowance for the year is **RM3,823,630** (2018: Nil).

The Group considers that the loss allowance in the Group's outstanding trade receivables within one year are not significant while loss allowance was made in full on the Group's outstanding trade receivables over one year except for customers with good credit quality after considering their historical settlement record, credit quality and financial position.

It is inherent in the Group's business to make individually large sales to its customers that may lead to significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with a reliable financial profile.

The following provides an analysis of the concentration of credit risk in trade receivables:

	GROUP	
	2019	2018
	%	%
Customers with debts of RM100,000 and above	**99**	98
Customers with debts of less than RM100,000	**1**	2
	100	100

The maximum exposure to credit risk arising from trade receivables is represented by their carrying amount in the statement of financial position.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

31.3 **Credit risk (cont'd)**

31.3.1 **Receivables (cont'd)**

Trade receivables (cont'd)

The ageing of trade receivables of the Group is as follows:

	Gross RM	Expected credit loss RM	Net RM
2019			
Not past due	**29,799,777**	**-**	**29,799,777**
1 to 30 days past due	**11,802,021**	**-**	**11,802,021**
31 to 120 days past due	**8,053,448**	**-**	**8,053,448**
Past due more than 120 days	**19,768,315**	**(3,823,630)**	**15,944,685**
	39,623,784	**(3,823,630)**	**35,800,154**
	69,423,561	**(3,823,630)**	**65,599,931**
2018			
Not past due	5,095,732	-	5,095,732
1 to 30 days past due	4,913,367	-	4,913,367
31 to 120 days past due	21,652,139	-	21,652,139
Past due more than 120 days	20,251,748	-	20,251,748
	46,817,254	-	46,817,254
	51,912,986	-	51,912,986

Other receivables

The Group finances the property development project in which it is managing as part of the project financing and management agreement entered into between one of the Company's subsidiary and the developer. The outstanding balance financed is exposed to credit risk with the maximum exposure being represented by the carrying amount as disclosed in Note 10 to the financial statements.

The credit risk exposure is mitigated as the provisions of the agreement entered with the developer allows the subsidiary to be entitled to purchase or sell on behalf of the developer, certain units of the development project at a price substantially below the launching or market price to settle the outstanding advances and if such sale proceeds are insufficient to settle the outstanding amount, the subsidiary shall cause the developer to sell a property belonging to the developer at a reserved price and such proceeds are to be used to settle the remaining outstanding amount.

31. FINANCIAL INSTRUMENTS (CONT'D)

31.3 Credit risk (cont'd)

31.3.2 Intercompany balances

The Company provides advances to its subsidiaries and monitors the result of the subsidiaries regularly.

The maximum exposure to credit risk is represented by their carrying amount in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

31.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company actively manage its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by maintaining credit facilities with its banker.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2019						
Non-derivative financial liabilities						
Trade payables	**33,031,746**	**33,031,746**	**33,031,746**	**-**	**-**	**-**
Other payables and accruals	**45,451,327**	**46,058,087**	**40,058,087**	**6,000,000**	**-**	**-**
Borrowings	**3,362,156**	**4,015,613**	**503,280**	**503,280**	**1,509,840**	**1,499,213**
	81,845,229	**83,105,446**	**73,593,113**	**6,503,280**	**1,509,840**	**1,499,213**

31. FINANCIAL INSTRUMENTS (CONT'D)

31.4 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2018						
Non-derivative financial liabilities						
Trade payables	40,002,298	40,002,298	40,002,298	-	-	-
Other payables and accruals	21,721,466	21,721,466	21,721,466	-	-	-
Borrowings	3,762,015	4,624,843	586,814	503,269	1,509,808	2,024,952
	65,485,779	66,348,607	62,310,578	503,269	1,509,808	2,024,952
Derivative financial liabilities						
Foreign currency forward contracts: Outflow-Net	4,810,372	4,810,372	4,810,372	-	-	-
	70,296,151	71,158,979	67,120,950	503,269	1,509,808	2,024,952
COMPANY						
2019						
Non-derivative financial liabilities						
Other payables and accruals	**432,586**	**432,586**	**432,586**	**-**	**-**	**-**
Inter-company balances	**2,065**	**2,065**	**2,065**	**-**	**-**	**-**
	434,651	**434,651**	**434,651**	**-**	**-**	**-**
2018						
Non-derivative financial liabilities						
Other payables and accruals	416,288	416,288	416,288	-	-	-
Inter-company balances	19,530	19,530	19,530	-	-	-
	435,818	435,818	435,818	-	-	-

31. FINANCIAL INSTRUMENTS (CONT'D)

31.5 Interest rate risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and of the Company's interest-bearing financial instruments based on the carrying amounts as at the end of the reporting period is as follows:

	GROUP		COMPANY	
	2019 RM	2018 RM	**2019 RM**	2018 RM
Fixed rate instruments				
Financial assets	**-**	106,590,000	**-**	41,000,000
Financial liabilities	**-**	82,206	**-**	-
Floating rate instruments				
Financial liabilities	**3,362,156**	3,679,809	**-**	-

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase/decrease of 25 basis points would have an insignificant impact to the profit before taxation of the Group and of the Company.

31.6 Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal trading activities whereby sales and purchases that are principally transacted in US Dollar ("USD"). The Group also holds cash and bank balances denominated in Hong Kong Dollar ("HKD") for working capital purposes. The Group mitigates the exposure to this risk by maintaining USD and HKD denominated bank accounts and entering into foreign currency forward contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before taxation. A 5% strengthening of the RM against the USD and HKD at the end of the reporting period would decrease the Group's profit before taxation by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis confines to the carrying amounts of financial assets and liabilities denominated in USD and HKD as at the end of the reporting period and assumes that all other variables remain constant.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

31.6 **Foreign currency risk (cont'd)**

Sensitivity analysis for foreign currency risk (cont'd)

	GROUP	
	2019	2018
	RM	RM
USD	**(2,442,169)**	(2,534,343)
HKD	**(1,850,910)**	(4,734,851)
Decrease in profit before taxation	**(4,293,079)**	(7,269,194)

31.7 **Fair value information**

The carrying amounts of financial assets and financial liabilities (other than those disclosed below) of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to their insignificant impact of discounting.

Fair value hierarchy

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

GROUP

	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
2019				
Forward contract *(assets)*	**-**	**2,395,368**	**-**	**2,395,368**
2018				
Forward contract *(liabilities)*	-	4,810,372	-	4,810,372

There were no transfers between Level 1 and Level 2 during the financial year ended 31 December 2019 and 2018.

The derivative financial assets/liabilities arising from the fair value changes on the foreign currency forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate.

31. **FINANCIAL INSTRUMENTS (CONT'D)**

31.8 **Reconciliation of liabilities arising from financing activities**

GROUP

	Balance at beginning RM	Cash Flows RM	Balance at end RM
2019			
Finance lease liabilities	**82,206**	**(82,206)**	**-**
Term loan	**3,679,809**	**(317,653)**	**3,362,156**
	3,762,015	**(399,859)**	**3,362,156**
2018			
Finance lease liabilities	269,238	(187,032)	82,206
Term loan	4,000,000	(320,191)	3,679,809
	4,269,238	(507,223)	3,762,015

32. **CAPITAL MANAGEMENT**

The Group's objective of managing capital is to safeguard the Group's ability to continue its operations as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

Debt-to-Equity ratio

	GROUP 2019 RM	GROUP 2018 RM
Borrowings	**3,362,156**	3,762,015
Less: Cash and cash equivalents	**(423,251,420)**	(324,653,223)
	(419,889,264)	(320,891,208)
Total equity	**595,886,661**	474,457,901
Debt-to-equity ratio	**N/A(i)**	N/A(i)

(i) N/A –Not applicable as net cash position

There were no changes in the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements by its lenders.

33. INVESTMENT SECURITIES

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Available-for-sale financial assets:				
- Unquoted bonds in Malaysia, at cost	**3,500,000**	3,500,000	**3,500,000**	3,500,000
Less: Impairment loss	**(3,500,000)**	(3,500,000)	**(3,500,000)**	(3,500,000)
	-	-	**-**	-

The unquoted bonds comprise subordinated bonds with variable coupon rates. These bonds had an original tenure of five years, which expired on 10 October 2011. The tenure of the bonds has been extended for a 12 months period annually since then, with the latest extended tenure to expire on 10 October 2020.

34. EVENTS AFTER THE REPORTING PERIOD

(i) The outbreak of novel coronavirus (COVID-19) continues to spread throughout China and to countries across the world.

The COVID-19 has and will impact the business operations of the Group in particular the supply chain from China as well as to a certain degree, the delivery and buy-off process of machineries, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's interim and annual financial statements in 2020.

(ii) On 27 February 2020, the Directors recommended a final single tier dividend of RM0.015 per ordinary share amounting to approximately RM7.1 million in respect of the financial year ended 31 December 2019 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 2020.

(iii) The Company had on 5 March 2020 proposed to undertake a bonus issue of up to 237,439,049 new ordinary shares on the basis of one (1) bonus share for every two (2) existing shares held on an entitlement date to be determined.

LIST OF LANDED PROPERTIES

Location of Landed Properties	Date of Acquisition	Description and Existing Use	Tenure	Land Area	Approximate Age of Building	Net Book Value as at 31 December 2019 (RM)
H.S. (D) 19135 & H.S.(D) 19121, Mukim of 12, South West District, Plot 18 & Plot 19, Bayan Lepas, Technoplex, Penang, Malaysia	23/12/2000 and 21/3/2001 respectively	Industrial lot/ factory building and office building	Leasehold (60 years expiring 1/7/2062 and 21/7/2062 respectively)	4.03 acres	16 years	47,131,547
H.S. (D) 47991, PT 5917, Mukim of 13 District of Seberang Perai Selatan, 749, Persiaran Cassia Selatan 4, Taman Perindustrian Batu Kawan, Simpang Ampat, Penang, Malaysia	19/3/2015	Industrial lot/ factory building and office building	Leasehold (60 years expiring on 6/12/2075)	3.23 acres	5 years	29,785,244

ANALYSIS OF SHAREHOLDINGS
AS AT 26 FEBRUARY 2020

Issued Share Capital	:	474,878,099 Ordinary Shares ("Shares")
Class of Equity Securities	:	Ordinary Shares ("Shares")
Voting Rights	:	One vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Issued Shares	%
512	Less than 100 shares	24,057	0.01
1,650	100 – 1,000 shares	995,311	0.21
2,724	1,001 – 10,000 shares	11,312,115	2.38
1,085	10,001 - 100,000 shares	34,017,589	7.16
357	100,001 to less than 5% of issued shares	335,248,947	70.60
1	5% and above of issued shares	93,280,080	19.64
6,329	**Total**	**474,878,099**	**100.00**

* Negligible

30 Largest Securities Account Holders

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held	%
1	HSBC NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.*	93,280,080	19.64
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	22,972,650	4.84
3	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND*	13,955,750	2.94
4	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RESOLUTE ACCOMPLISHMENT SDN. BHD.*	12,637,072	2.66
5	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PRULINK EQUITY FUND*	12,332,400	2.60
6	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	11,423,369	2.41
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BND*	10,422,100	2.19
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	10,000,000	2.11
9	PERMODALAN NASIONAL BERHAD	7,490,100	1.58
10	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK*	6,508,406	1.37

30 Largest Securities Account Holders (Cont'd)

(without aggregating the securities from different securities accounts belonging to the same person) (cont'd)

No.	Name	No. of Shares held	%
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN)*	6,328,300	1.33
12	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR NORGES BANK*	5,853,000	1.23
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD *NATIONAL TRUST FUND*	5,477,000	1.15
14	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND*	5,294,300	1.11
15	NG NGOON WENG	4,784,992	1.01
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG*	4,717,084	0.99
17	RESOLUTE ACCOMPLISHMENT SDN BHD	4,346,628	0.92
18	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR MORGAN STANLEY & CO LLC*	3,840,800	0.81
19	TAN CHUN KEE	3,750,108	0.79
20	HSBC NOMINEES (ASING) SDN BHD *J.P. MORGAN SECURITIES PLC*	3,675,900	0.77
21	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER	3,208,800	0.68
22	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL*	3,180,000	0.67
23	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD - KENANGA MALAYSIAN INC FUND*	2,867,250	0.60
24	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	2,859,430	0.60
25	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL*	2,843,900	0.60
26	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR PRINCIPAL TRUST COMPANY*	2,627,800	0.55
27	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR MANULIFE INSURANCE BERHAD*	2,610,500	0.55
28	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PARTICIPATING FUND*	2,542,800	0.54
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA(BERHAD*	2,500,000	0.53
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *NATIONAL TRUST FUND*	2,492,800	0.52

Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders

	No. of Shares beneficially held			
Name of Substantial Shareholder	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	93,280,080	19.64	92,340[(1)]	0.02
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	*22,972,650*	*4.84*	*7,405,900*[(2)]	*1.56*

Note:

(1) Deemed interest through the shareholding of his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Directors' Shareholdings (Direct & Deemed Interests)

a) In the Company

	No. of Shares beneficially held			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	93,280,080	19.64	92,340[(1)]	0.02
CHUAH CHONG EWE	21,585,369	4.55	-	-
LOH NAM HOOI	291,600	0.06	-	-
LENG KEAN YONG	-	-	-	-
LEE KEAN CHEONG	-	-	-	-

Note:

(1) Deemed interest through the shareholding of his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

b) In related Corporation

Pentamaster International Limited

	No. of Shares beneficially held			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	17,740,800	1.11	-	-
LOH NAM HOOI	96,000	0.01	-	-
LENG KEAN YONG	552,000	0.03	-	-

None of the other Directors have any interest in the shares of related corporations as at 26 February 2020.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of Pentamaster Corporation Berhad will be held at the Conference Room of Pentamaster Corporation Berhad at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on Tuesday, 5 May 2020 at 12.00 noon for the following purposes :-

AS ORDINARY BUSINESSES

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2019. — Ordinary Resolution 1

3. To approve the payment of Directors' fees amounting to:-

   (a) RM211,200 to Directors of the Company for the financial year ended 31 December 2019; and — Ordinary Resolution 2

   (b) HKD805,200 (approximately RM459,000 equivalent) per annum to Directors of the subsidiary company commencing from the financial year ending 31 December 2020 and that such fees to the Directors of the subsidiary company shall continue until otherwise resolved. — Ordinary Resolution 3

4. To approve the payment of benefits of up to:-

   (a) RM35,000 to the Non-Executive Directors of the Company from 6 May 2020 until the next Annual General Meeting of the Company; and — Ordinary Resolution 4

   (b) RM35,000 to the Non-Executive Directors of the subsidiary company from 6 May 2020 until the next Annual General Meeting of the Company. — Ordinary Resolution 5

5. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :-

   (a) "THAT Mr. Leng Kean Yong, who retires pursuant to Clause 109(a) and (b) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." — Ordinary Resolution 6

   (b) "THAT Mr. Lee Kean Cheong, who retires pursuant to Clause 109(a) and (b) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." — Ordinary Resolution 7

6. To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — Ordinary Resolution 8

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :-

Authority to continue to act as an Independent Non-Executive Director

(a) "THAT authority be and is hereby given to Mr. Loh Nam Hooi who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years to continue to act as an Independent Non-Executive Director of the Company." Ordinary Resolution 9

Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

(b) "THAT subject always to the Companies Act 2016 ("Act"), Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." Ordinary Resolution 10

Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

(c) "THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into any of the category of recurrent transactions of a revenue or trading nature falling within the types of transactions as detailed in Section 2.2(b) of the Company's Circular to Shareholders dated 30 March 2020 ("Said Circular") involving the interests of Directors, major shareholders or persons connected with such Directors or major shareholders of the Company ("Related Parties") as detailed therein provided that such transactions are necessary for the day-to-day operations and they are carried out in the ordinary course of business and are made on an arm's length basis on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

(the "Proposed Shareholders' Mandate for RRPT").

THAT the Proposed Shareholders' Mandate for RRPT is subject to annual renewal and shall continue to be in force until:-

(i) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to give effect to the Proposed Shareholders' Mandate for RRPT." Ordinary Resolution 11

Proposed renewal of shareholders' mandate for purchase by the Company of its own shares of up to ten percent (10%) of its total number of issued shares

(d) "THAT, subject to the Companies Act 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares ("Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors of the Company may deem fit and expedient in the best interest of the Company provided that :-

(i) The aggregate number of Shares in the Company which may be purchased and/or held by the Company as treasury Shares shall not exceed ten percent (10%) of the total number of its issued Shares at any point in time; and

(ii) The maximum funds to be allocated by the Company for the purpose of purchasing its own Shares shall not exceed the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction.

THAT, upon the purchase by the Company of its own Shares, the Directors are authorised to retain the Shares so purchased as treasury Shares or cancel the Shares so purchased or retain part of the Shares so purchased as treasury Shares and cancel the remainder. The Directors are further authorised to distribute the treasury Shares as dividends to the shareholders of the Company and/or resell the Shares on the Bursa Securities in accordance with the relevant rules of the Bursa Securities or subsequently cancel the treasury Shares or any combination thereof.

(the "Proposed Share Buy-Back")

THAT the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps and do all such acts and things as they may consider necessary or expedient to implement and give effect to the Proposed Share Buy-Back." Ordinary Resolution 12

8. To consider any other business for which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of shareholders at the Eighteenth Annual General Meeting of the Company, the final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2019 will be paid to shareholders on 17 June 2020. The entitlement date for the proposed dividend shall be on 27 May 2020. A depositor shall qualify for the entitlement to the dividend only in respect of:

a) Shares transferred to the depositor's securities account before 4:30 p.m. on 27 May 2020 in respect of ordinary transfer; and
b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By order of the Board

Lim Kim Teck
(MAICSA 7010844)

Kong Sown Kaey
(MAICSA 7047655)
Secretaries

Penang
Date : 30 March 2020

NOTES

1. Appointment of Proxy

(a) Subject to Paragraph (c) below, a member entitled to attend and vote is entitled to appoint more than one (1) proxy to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(b) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(c) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

2. Members entitled to attend 18th AGM

For the purpose of determining a member who shall be entitled to attend the Eighteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Clause 78(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 28 April 2020. Only a depositor whose name appears in the Record of Depositors as at 28 April 2020 shall be entitled to attend the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

3. Audited Financial Statements for the financial year ended 31 December 2019

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

4. Ordinary Resolution No. 2 – Proposed payment of Directors' fees

The proposed Ordinary Resolution 2 is to facilitate the payment of Directors fees on current year basis. In the event, the Directors' fees proposed is insufficient, the Board will seek the approval from the shareholders at the next Annual General Meeting for additional fees to meet the shortfall.

5. Ordinary Resolution No. 3 – Proposed payment of Directors' benefits (excluding Directors' fees)

The Directors' benefits (excluding Directors' fees) comprises the allowances and other benefits. The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board's and Board Committees' meetings for the period from 6 May 2020 until the next Annual General Meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

6. Ordinary Resolution No. 9 - Retention of Independent Non-Executive Director, Mr. Loh Nam Hooi

Mr. Loh Nam Hooi has served as an Independent Non-Executive Director of the Company for 17 years. The Board has carried out an assessment of Mr. Loh Nam Hooi and determined that he has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the criteria of independence recognised by the Board. The Board has determined that Mr. Loh Nam Hooi is able to bring objective and independent judgement to the Board and recommended him to continue to act as an Independent Non-Executive Director of the Company.

In accordance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017, shareholders' approval through a two-tier voting process will be sought at the Eighteenth Annual General Meeting to retain Mr. Loh Nam Hooi as an Independent Non-Executive Director of the Company.

7. Ordinary Resolution No. 10 - Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed resolution if passed will empower the Directors of the Company to issue and allot shares up to 10% of the total number of issued shares of the Company from time to time. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the period within which the next Annual General Meeting of the Company is required by law to be held whichever is the earlier.

As at the date of this notice no shares have been issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 10 June 2019 and which will lapse at the conclusion of the Eighteenth Annual General Meeting.

The Directors seek a renewal of the mandate to provide flexibility to the Company for possible raising of funds, including but not limited to placing of shares, for purpose of additional working capital, funding of investments, acquisitions or reduction of borrowings.

8. Ordinary Resolution No. 11 - Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed resolution in relation to the Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature will eliminate the requirement for the Company to make regular announcements and convene separate general meetings from time to time in respect of the aforesaid Related Party Transactions.

Please refer to Part A of the Circular and Statement to Shareholders dated 30 March 2020 for further information.

9. Ordinary Resolution No. 12 - Proposed renewal of shareholders' mandate for purchase by the Company of its own shares of up to ten percent (10%) of its total number of issued shares

The proposed resolution if passed will empower the Directors of the Company to purchase up to ten percent (10%) of the total number of issued shares of the Company at any point in time subject to compliance with Section 127 of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other prevailing laws, rules and regulations.

Please refer to Part B of the Circular and Statement to Shareholders dated 30 March 2020 for further information.

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PENTAMASTER CORPORATION BERHAD 200201004644 (572307-U)
(Incorporated in Malaysia)

CDS Account No.	
No. of shares held	

PROXY FORM
FOR THE 18th ANNUAL GENERAL MEETING

I/We ____
(Full Name in Block Letters)

of ____
(Address)

being a member/members of the above Company appoint (Proxy 1) ______________________
(Full Name in Block Letters)

of ____
(Address)

and/or failing him, (Proxy 2) ______________________
(Full Name in Block Letters)

of ____
(Address)

or failing him, the Chairman of the Meeting as my/our Proxy to vote in my/our name(s) on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at the Conference Room of Pentamaster Corporation Berhad at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on Tuesday, 5 May 2020 at 12.00 noon and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To approve the payment of a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2019.	Ordinary Resolution 1		
To approve the payment of Directors' fees amounting to RM211,200 to Directors of the Company for the financial year ended 31 December 2019.	Ordinary Resolution 2		
To approve the payment of Directors' fees amounting to HKD805,200 (approximately RM459,000 equivalent) per annum to Directors of the subsidiary company commencing from the financial year ending 31 December 2020 and that such fees to the Directors of the subsidiary company shall continue until otherwise resolved.	Ordinary Resolution 3		
To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the Company from 6 May 2020 until the next Annual General Meeting of the Company.	Ordinary Resolution 4		
To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the subsidiary company from 6 May 2020 until the next Annual General Meeting of the Company.	Ordinary Resolution 5		
To re-elect Mr. Leng Kean Yong who retires in accordance with Clause 109(a) and (b) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 6		
To re-elect Mr. Lee Kean Cheong who retires in accordance with Clause 109(a) and (b) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 7		
To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 8		
To authorise Mr. Loh Nam Hooi to continue to act as an Independent Non-Executive Director of the Company.	Ordinary Resolution 9		
To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	Ordinary Resolution 10		
To approve the proposed renewal of existing shareholders' mandate and proposed new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.	Ordinary Resolution 11		
To approve the purchase by the Company of its own shares of up to 10% of its total number of issued shares.	Ordinary Resolution 12		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain from voting at his/her discretion.)

The proportion of my/our holding to be represented by my/our proxies are as follows:-

Proxy 1	%
Proxy 2	%
	100 %

Dated this __________ day of ________________ 2020.

____
Signature of Shareholder or Common Seal

Notes :

(a) Only a Depositor whose name appears in the Record of Depositors as at 28 April 2020 shall be entitled to attend the Eighteenth Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

(b) Subject to Paragraph (d) below, a member entitled to attend and vote is entitled to appoint more than one (1) proxy to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(c) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(f) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Please fold across the lines and close

Affix
stamp

The Company Secretaries
PENTAMASTER CORPORATION BERHAD
200201004644 (572307-U)

35, 1st Floor, Jalan Kelisa Emas 1,
Taman Kelisa Emas,
13700 Seberang Jaya, Penang,
Malaysia

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www.pentamaster.com.my

PENTAMASTER CORPORATION BERHAD
200201004644 (572307-U)

Plot 18 & 19, Technoplex, Medan Bayan Lepas,
Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang,
Malaysia.

Tel : 604-646 9212 Fax : 604-646 7212
Email : penta-online@pentamaster.com.my