PENTAMASTER CORPORATION BERHAD
200201004644 (572307-U)

SHAPING THE FUTURE THROUGH INNOVATION

ANNUAL REPORT 2020

VISION

"To be the leader and world class automation solutions provider in the global market"

MISSION

"We are committed to delivering high quality and cost-effective solutions with latest technology as well as providing value-added services to our customers and benefits to our vendors, employees and the community as a whole"

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHUAH CHOON BIN
Non-Executive Chairman

GAN PEI JOO
Executive Director

LEE KEAN CHEONG
Independent Non-Executive Director

LOH NAM HOOI
Independent Non-Executive Director

LENG KEAN YONG
Non-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)
SSM PC No. 202008002059

KONG SOWN KAEY (MAICSA 7047655)
SSM PC No. 202008001434

AUDITORS

GRANT THORNTON MALAYSIA PLT
Level 5
Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

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

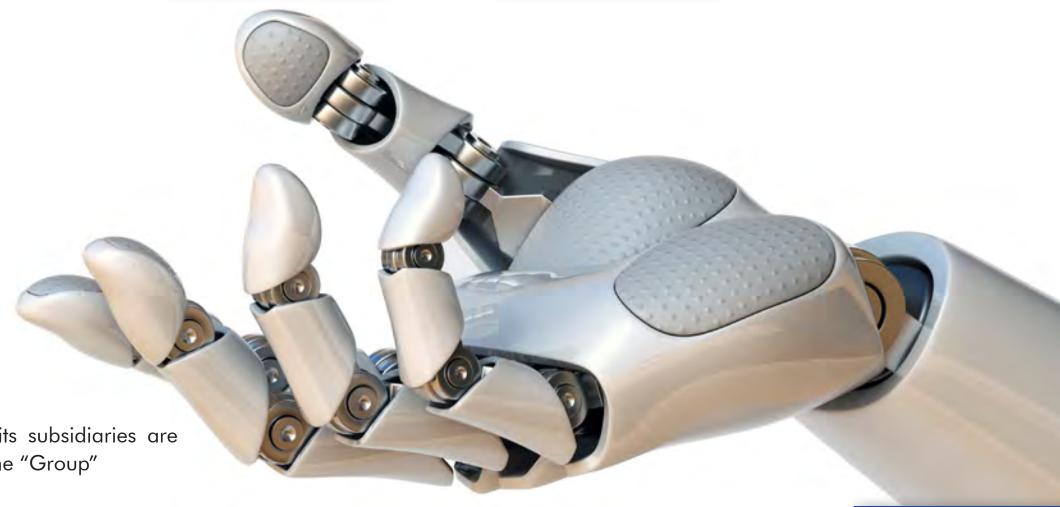
STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE
AS AT 30 MARCH 2021

PENTAMASTER CORPORATION BERHAD ("Company")
200201004644 (572307-U)

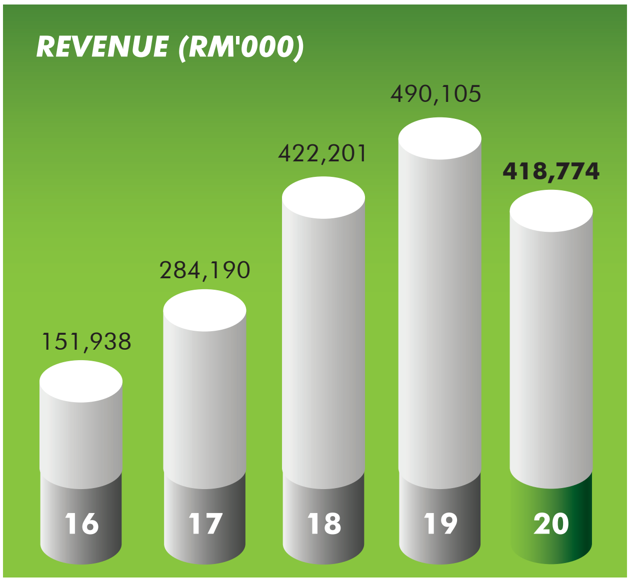
- **100%** **PENTAMASTER SMART SOLUTION SDN. BHD.** 200301023077 (625497-H) (Malaysia) ("Pentamaster Smart Solution")
- **63.10%** **PENTAMASTER INTERNATIONAL LIMITED** (MC-323853) (Cayman Islands) ("Pentamaster International")
  - **100%** **PENTAMASTER TECHNOLOGY (M) SDN. BHD.** 199501007290 (336488-H) (Malaysia) ("Pentamaster Technology")
    - **35.64%** **PENANG AUTOMATION CLUSTER SDN. BHD.** 201601021441 (1192380-V) (Malaysia)
  - **100%** **PENTAMASTER INSTRUMENTATION SDN. BHD.** 200301034952 (637373-M) (Malaysia) ("Pentamaster Instrumentation")
  - **100%** **PENTAMASTER EQUIPMENT MANUFACTURING SDN. BHD.** 200601029409 (749166-A) (Malaysia) ("Pentamaster Equipment")
    - **100%** **PENTAMASTER EQUIPMENT MANUFACTURING, INC.** (82-4120867) (U.S.)
    - **100%** **TP CONCEPT SDN. BHD.** 201001040387 (924312-H) (Malaysia) ("TP Concept")
  - **100%** **PENTAMASTER MEDIQ SDN. BHD.** 202001017008 (1373328-W) (Malaysia) ("Pentamaster MediQ")
- **100%** **ORIGO VENTURES (M) SDN. BHD.** 201401027996 (1104082-X) (Malaysia) ("Origo")

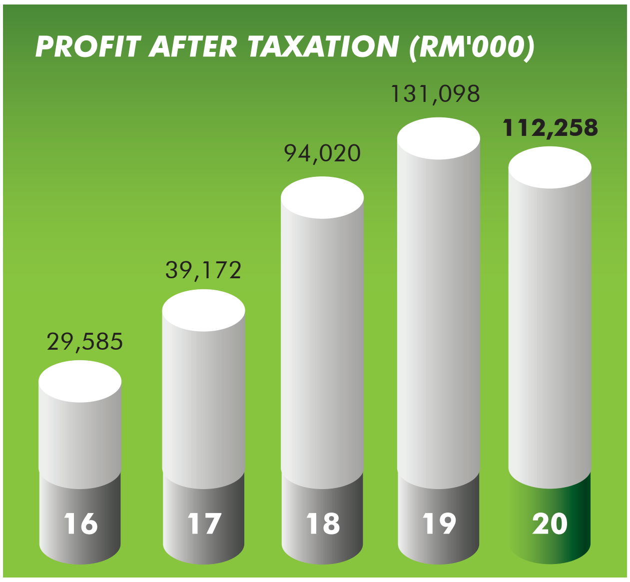


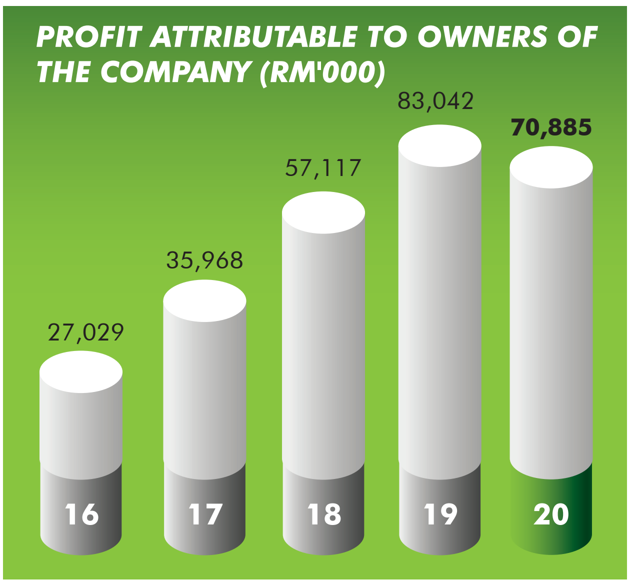
Pentamaster Corporation Berhad and its subsidiaries are referred to as "Pentamaster Group" or the "Group"

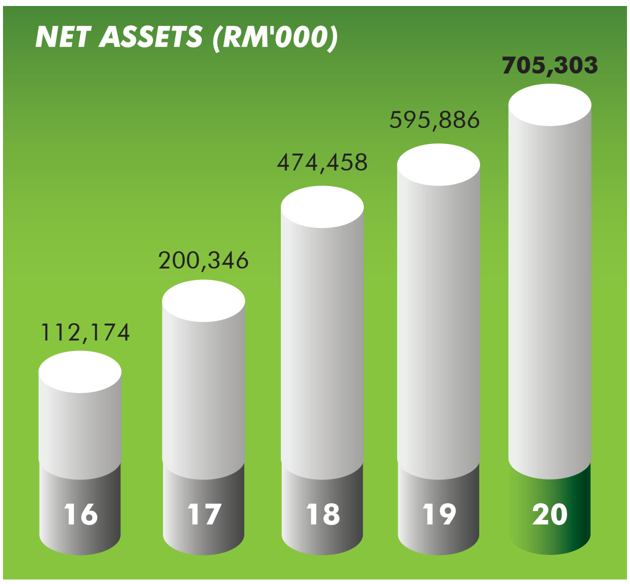
FINANCIAL SUMMARY

	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	**418,774**	490,105	422,201	284,190	151,938
Profit before taxation	**113,140**	138,897	99,607	43,981	28,838
Profit after taxation	**112,258**	131,098	94,020	39,172	29,585
Profit attributable to:					
Owners of the Company	**70,885**	83,042	57,117	35,968	27,029
Non-controlling interests	**41,373**	48,056	36,903	3,204	2,556
ASSETS AND LIABILITIES					
Total assets	**833,101**	737,570	646,038	356,249	143,471
Total liabilities	**127,798**	141,684	171,580	155,903	31,297
Net assets	**705,303**	595,886	474,458	200,346	112,174









CHAIRMAN'S STATEMENT

Dear shareholders,

Another year has passed and we are blessed to have survived from a very challenging 2020 full of health crisis! While the pandemic is still posing a threat globally, 2021 hopefully will provide us a glimmer of hope that we could all overcome.

Year 2021 is the year Pentamaster Group celebrates its 30th anniversary since its inception in 1991. Year 2021 is also Pentamaster Corporation Berhad's 18th anniversary of listing on Bursa Malaysia and 3rd year anniversary of Pentamaster International Limited's listing on the Hong Kong Stock Exchange. We are very grateful to our pioneers and to those who have been with us throughout, that have paved the way and laid a strong foundation for our Group. Today, Pentamaster Group has evolved and is a leading global provider of advanced automation equipment and systems. With the speed and magnitude of technology progress today, Pentamaster as a Group will never stay complacent and will always challenge the convention. The Group will continue to be bold enough to explore new ideas with innovation and approaches in enabling it to remain relevant and to stay at the industry forefront for greater heights.

During the first half of 2020, US-China trade tension and the COVID-19 global pandemic have posed significant challenges and pressure to our day-to-day operations, with global travel restrictions in place compounded with supply chain interruption. This has unfortunately impacted the Group's financial performance last year with the revenue of the Group having contracted by 14.5% to RM418.8 million and its profit after taxation having decreased by 14.3% to RM112.3 million.

Notwithstanding these developments, we are heartened to see our sales order activity held up well in the fourth quarter of 2020 and up to the reporting date. This has been our result in diversifying our solutions to cater for a broader industry segments and with new demand or sales orders generated from the Insulated Gate Bipolar Transistors ("IGBT") assembly/test equipment for electric vehicle ("EV") markets and new Electro-Opto test equipment for 5G/smartphone sector. Nevertheless, we hope the coming year 2021 will be a better year, albeit with the current travel restrictions and lock downs enforced by respective countries globally.

To sustain our long term growth trajectory, Pentamaster will continue to progress and transform our business model and portfolios – for the medium and long term perspectives. Last year, we set up Pentamaster MediQ to venture into the manufacturing of single-use medical devices. Capital expenditure of RM60.0 million will be allocated in the next three years for the upgrading of our existing factory facilities in Batu Kawan and the installation of two production lines equipment dedicated towards the manufacturing of these single-use medical devices that includes Intravenous Caterers and Dual-Safety Pen Needles. Our target is to get our manufacturing facility certified with ISO13485 by 2021 while targeting Malaysia Devices Authority (MDA) or United States Food and Drug Administration (FDA) product certification of the two medical devices by end of 2021 or early 2022.

Additionally, in order to continue our global expansion footprint and to further maintain our good customers' support and relationship, the Group will further deepen its presence across the region for the following key segments:

- Electro-Opto Smart Sensor
- Automotive Semiconductor
- Single-Use Medical Devices
- Consumer & Industrial Products

Over the years, Pentamaster Group has developed many new solutions in the Automated Test Equipment ("ATE") and Factory Automation Solutions ("FAS") business segments catering to the above-mentioned industries. Coupled with the growth of EV and 5G industries, the ATE busines segment has contributed approximately 67.9% to the Group's revenue in 2020. Within this context, the regional expansion plan will become more prevalent. Similarly, with the adoption of Industry 4.0 into manufacturing, the FAS business segments' revenue contribution to the Group has also jumped by 64.0% year-on-year, further reiterating the need for us to broaden our presence in the region.

While the COVID-19 pandemic has posed serious challenges, it has also opened up an exciting opportunity for Pentamaster Group. With the recent accelerated demands for the online e-commerce purchase, emerging multichannel distribution channels, globalisation of supply chain networks and increased adoption of micro-fulfilment centres, we see growing demands and opportunities in the warehouse automation system ("WAS") sector. Since 2018, Pentamaster Group had invested approximately RM15.0 million to develop autonomous mobile robots, high speed sorter, lifter, warehouse management software (WMS) and wide area warehouse network (WAWN) that could efficiently interconnect and monitor the global supply chain networks. With this, it completes our i-Hub holistic product offerings that allow us to capture and be ready for the growing e-commerce market.

Recent market survey report says warehouse automation market will grow by more than double from $13.0 billion in 2018 to $27.0 billion by 2025, at a compound annual growth rate of 11.7% between 2019 and 2025. The transformation of retail industry towards warehouse automation has kicked into high gear recently and a resulting acceleration of online ordering for just about everything. As retailers face the challenges to cope with an ever-increasing volume of orders and escalating last-mile delivery demands, WAS are quickly becoming essential technologies for the fast-paced and competitive online e-commerce market. I must say the development of our i-Hub is timely and it will accommodate the requirement for warehouse automation with its features that will enhance accuracy, security, efficiency and optimisation in tems of time and space.

Appreciation

On behalf of the Board of Directors, I thank the Pentamaster team for their dedication and hard work during the tough time. We fully appreciate the continuing commitment and support of our board members, vendors and shareholders. We are thankful to our God for the blessing and protection during the COVID-19 global pandemic.

The Lord will keep you from all harm, He will watch over your life;
The Lord will watch over your coming and going both now and forevermore.

Thank you.

God bless.

CHUAH CHOON BIN
Chairman

BUSINESS REVIEW

Year 2020 has been highly disruptive by the unprecedented COVID-19 pandemic with its pervasive effect causing worldwide spreading and thereby hampering global economic situation with declaration of public health emergencies in many countries and regions. With the imposition of global lockdowns by the respective government across the world coupled with the global travel restrictions and suspension of certain business activities, the Group entered the first half of year 2020 embracing the enormous amount of challenges and pressure brought by the pandemic. While the Group managed to increase its workforce capacity with the gradual relaxation of the lockdown in Malaysia during the second half of the year, the existing situation has not provided the Group with the required optimal production level. Having continuously chalked record-breaking revenue and profit in the past three years, it is unfortunate that the Group is not sparred from the ravages of COVID-19 that has adversely impacted the operating and financial performance of the Group.

Revenue of the Group during the year contracted by 14.5% to RM418.8 million while its profit after taxation decreased by 14.3% to RM112.3 million. While the decrease in revenue and profit were largely impacted by the Group's electro-optical segment (previously the telecommunications segment) in lieu of the pandemic, the Group witnessed year-on-year growth in all its other business segments with a healthier mix of revenue and profit contribution. It is worth noting that the Group has been advocating the importance of diversifying its revenue base by increasing its exposure to other business segments and not to be too dependent on one single segment and this has somewhat cushioned the impact of the pandemic crisis in 2020. The outcome from these diversification efforts will not be made possible without the Group's timely insight into market opportunities and requirements, coupled with its commitment towards research and development ("R&D") investment and activities to broaden its product portfolio and expand its addressable markets. As global technology marketplace evolves with the far-reaching drastic effect of COVID-19, the Group will continuously engage such business approach in establishing an optimum mixture so as not to be too dependent on a single business segment.

Moving forward with the next catalyst in the technology world of 5G, optical sensing, autonomous driving, EV and artificial intelligence ('AI"), the Group's current diversification progress is on the right track. Despite the drop in revenue from the electro-optical segment in 2020, this segment remained as the Group's major revenue source with demand from customers of a wider geographical region for its customised test solutions mainly driven by its exposure in optoelectronics ecosystem and 3D sensing technology. As for the automotive segment, the Group's exposure in this segment stood at 20.1% of total revenue of the Group, representing a 19.5% growth from 2019. Such growth is commendable as the Group made its headways and expanded its foothold in this segment with its technology capabilities covering silicon carbide ("SiC") and gallium nitrite ("GaN") – based compound power modules.

Revenue from the consumer and industrial products segment grew by 68.5% from RM36.5 million in 2019. Such growth in revenue was mainly contributed by the Group's proprietary intelligent Automated Robotic Manufacturing System ("i-ARMS") where its demand was underpinned by the trends and growing adoption of Industry 4.0. In the context of the Group's revenue exposure in the semiconductor segment, the Group witnessed a year-on-year growth of 67.5%. The increase in revenue was attributed to the increase in demand for the Group's test handling equipment for the semiconductor industry, where the main factors driving the sentiment was the shift in spending pattern of the consumers around the world caused by the pandemic's "work from home" trend that seemed to have boosted the integrated chips segment. Over the course of the year, the broadening exposure of the Group in the medical device segment saw the highest revenue growth rate of 348.9% as the Group diversified its involvement and strengthened its capabilities in the medical sector with the acquisition of TP Concept in 2019.

Against the backdrop of a highly complex and volatile external market condition, the Group is of the opinion that it has surmounted the challenges with its timely and effective execution of its strategies in diversifying its revenue base and exposure to a wider industry segments, though not fast enough to counter the unprecedented COVID-19 pandemic that came too fast and drastic. Nevertheless, with the current technology capability and capacity, the Group will continue to position itself to remain agile and work on its business fundamentals to further accelerate its technology differentiation.

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

By industry

For the year ended 31 December

	2020		2019	
	RM'000	**%**	RM'000	%
Electro-Optical (Previously known as telecommunications)	**177,978**	**42.5**	337,394	68.9
Automotive	**84,146**	**20.1**	70,419	14.4
Consumer and industrial products	**61,481**	**14.7**	36,498	7.4
Semiconductor	**57,794**	**13.8**	34,494	7.0
Medical devices	**37,182**	**8.9**	8,283	1.7
Others	**193**	**n.m.**	3,017	0.6
	418,774	**100.0**	490,105	100.0

n.m. not meaningful

Set out below is the revenue breakdown based on shipment destination where China, Singapore, Malaysia, Taiwan and Japan were the top five shipment markets for the Group in 2020. It is worth mentioning that revenue from the top five shipment destinations has dropped to approximately 86.7% of the Group's revenue as opposed to 91.5% a year ago, indicating a more diversified geographical shipment coverage.

By shipment

For the year ended 31 December

	2020		2019	
	RM'000	**%**	RM'000	%
China	**132,044**	**31.5**	66,624	13.6
Singapore	**84,372**	**20.1**	239,028	48.8
Malaysia	**68,612**	**16.3**	30,259	6.2
Taiwan	**49,216**	**11.8**	80,132	16.3
Japan	**29,149**	**7.0**	3,431	0.7
United States	**22,668**	**5.4**	6,221	1.3
Philippines	**8,673**	**2.1**	32,105	6.6
Korea	**5,768**	**1.4**	399	0.1
Thailand	**5,471**	**1.3**	19,197	3.9
Germany	**5,459**	**1.3**	8,126	1.7
Others	**7,342**	**1.8**	4,583	0.8
	418,774	**100.0**	490,105	100.0

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 14.5% from RM490.1 million in 2019 to RM418.8 million in 2020. It is unfortunate to witness the overall drop in revenue in 2020 after reporting year-on-year revenue growth for the last three years consecutively. The impact caused by the pandemic in the current economic situation has curtailed the overall business operation of the Group given the Group's business nature and the accounting treatment adopted in its revenue recognition. As a result, the Group witnessed a drop in its yearly revenue due to a lower revenue contribution from the ATE segment during the year. However, the drop in revenue was partially offset by the revenue growth from the FAS segment. The ATE and FAS segments each accounted for approximately 67.9% and 32.1% of the total Group's revenue, as compared to 2019 of 83.1% and 16.3%, respectively.

Revenue			
	2020	2019	Fluctuation
	RM'000	RM'000	%
ATE	**292,386**	431,222	-32.2
FAS	**138,311**	84,311	64.0
Smart Control Solution	**198**	3,101	-93.6
Elimination	**(12,121)**	(28,529)	57.5
Total	**418,774**	490,105	-14.6

ATE segment

With a revenue contribution rate of 67.9%, the ATE segment continued to contribute the larger share of the Group's overall revenue and profit. Revenue from this segment declined by RM138.8 million to RM292.4 million during the year as compared to 2019. The drop in revenue by approximately 32.2% from this segment was mainly attributable to the deferment of a timely revenue recognition caused primarily by the adverse impact of the pandemic where the Group experienced disruption to its manufacturing activity, supply chain, project shipment, logistical services and inventory replenishment. The imposition of the massive global travelling restrictions particularly in the first half of the year further impeded the site installation of projects which was a major milestone for revenue recognition to take place. Despite the drop in revenue within the ATE segment, the Group witnessed a more diversified revenue base during the year from other segments where the Group was exposed to. One example was the growth in revenue traction from the automotive industry by more than 50.0% within ATE segment as compared to 2019.

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

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

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

FAS segment

For the year ended 31 December 2020, the FAS segment witnessed a substantial increase in contribution to the Group's revenue, with this division recording RM138.3 million as compared to RM84.3 million achieved in 2019, a 64.0% growth year-on-year. The increase in revenue was mainly attributable to the growing adoption of automation for Industry 4.0 and IoT (Internet of Things)- enabled processes that saw growing demand for i-ARMS, a highly customised proprietary solution of the Group in automating the manufacturing processes or production line of various industries through its intelligent material handling system and robotics technology.

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

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

Gross margin

The Group achieved a gross margin of 33.3% during the year as compared to 36.6% in 2019. The overall contraction in the Group's gross profit margin was primarily a result of lower economies of scale achieved during the year from the impact of lower amount of sales recognised for the electro-optical segment. Although the drop in gross profit margin was experienced, it was worth noting that the overall gross profit margin was derived from a more diversified product portfolio of the Group catering to a more diverse industry segments during the year.

Other income

Other income of the Group decreased from RM18.1 million in 2019 to RM14.3 million in 2020. During the year, the Group recorded a net gain from changes in fair value of foreign currency forward contracts ("net derivative gain") of approximately RM0.9 million. Simultaneously, the Group has also recorded a net gain on foreign exchange of approximately RM2.0 million. Such net derivative gain and net gain on foreign exchange totaling RM2.9 million were recorded under other income during the year. In 2019, the net derivative gain was RM7.2 million while the Group recorded a net loss on foreign exchange of RM5.1 million.

Administrative expenses

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 decreased by RM18.6 million from RM50.0 million in 2019 to RM31.4 million. This was mainly due to the following factors:

(i) net gain on foreign exchange was achieved during the year as compared to a net loss on foreign exchange of RM5.1 million in 2019; and

(ii) lower administrative staff cost of RM11.1 million during the year (2019: RM28.7 million) due to the decrease in staff incentive from lower profit reported.

The above decrease in costs were partially offset by:

(i) higher amount of net expected credit loss ("ECL") allowance on trade receivables of RM6.8 million recorded during the year as compared to RM3.8 million incurred in 2019; and

(ii) higher upkeep and maintenance cost in office equipment by RM0.3 million with the increase in staff headcount.

Profit for the year

The Group recorded a net profit of RM112.3 million in 2020, representing a decrease of 14.3% as opposed to a net profit of RM131.1 million achieved in 2019. Basic earnings per share fell from 11.66 sen in 2019 to 9.95 sen in 2020.

Liquidity, financial resources and capital structure

The Group's working capital position remain robust. As at 31 December 2020, the Group's working capital stood at RM509.6 million (2019: RM446.2 million). Amid the ongoing pandemic and the overall economic headwinds, the Group continued to generate positive net cash from operations of RM68.0 million. Cash and cash equivalents stood at RM437.3 million as at 31 December 2020 as compared to RM423.3 million in 2019. As at 31 December 2020, 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 RM3.0 million to partly finance the purchase of leasehold land for the Group's second production plant in Batu Kawan, Penang. The gearing ratio of the Group (calculated based on the total debts divided by total equity) stood at 0.4% as at 31 December 2020 (2019: 0.6%).

Contingent liabilities

As at 31 December 2020, the Group had no material contingent liabilities.

Foreign exchange exposure

The Group is exposed to foreign currency risk as a result of its normal trading activities whereby sales and to a certain degree, purchases are principally transacted in U.S. dollar. The Group also holds other financial assets and liabilities denominated in foreign currencies. These are not the functional and reporting currencies of the Group to which the transactions relate.

As part of the Group's treasury policy to manage its foreign exchange exposure, the Group entered into foreign exchange forward contracts apart from maintaining U.S. dollar denominated bank accounts to minimise the effects of adverse exchange rate fluctuations on its financials.

ACHIEVEMENTS IN 2020

FORBES - Asia's Best Under a Billion

The Group is proud to be listed in Forbes' list of Asia's Best Under a Billion for a fourth consecutive year in 2020 for its track records of exceptional corporate performance.

THE EDGE – Billion Ringgit Club

The Group has once again being awarded The Edge Billion Ringgit Club award in 2020 for the highest growth in profit after tax over three years under the category of Technology Sector. This is the second consecutive year that the award is clinched by the Group.

OPERATIONAL AND FINANCIAL RISKS

Operational risks

Impact of the COVID-19 pandemic

With the COVID-19 pandemic escalating rapidly across the world prompting the imposition of certain unprecedented measures such as global travel restrictions and suspension of certain business operations and activities, the COVID-19 pandemic has significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets.

The COVID-19 pandemic and the measures taken by many countries across the world have certain impact on the business operations of the Group and could continue to adversely impact the Group's business activities and its financial and operating results depending on the situation and duration of the pandemic as well as the effectiveness of the treatments and vaccines available. Following the initial outbreak of the virus, the Group experienced forced restriction of operational capacity, disruptions to its supply chain, logistic and travelling restrictions that have essentially delayed its project delivery timeline and buy-off process of machineries to certain degree.

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 in accordance with the requirements of the relevant authorities.

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 Director and senior management team, who play significant roles in the 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 Company implemented the share award scheme during the listing of Pentamaster International on the Hong Kong Stock Exchange 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. Further, on 1 April 2020 (the "Adoption Date"), Pentamaster International adopted a share award scheme which is valid and effective for a term of ten years commencing on the Adoption Date to serve as part of the Group's employee retention program in retaining its existing employees and to attract suitable personnel for further 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 Company. 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 Company. 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 Company's interest.

Financial risks

The Group's financial risks are set out in Note 34 under the notes to the consolidated financial statements.

PROSPECTS

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

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

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

Additionally, the Group has been actively developing new business activity within the medical device segment with the incorporation of Pentamaster MediQ. Pentamaster MediQ was established by leveraging on the technical expertise of TP Concept to produce single-use medical devices for the healthcare industry, and the Group aims to grow this segment in the near term. Currently, the Group has earmarked approximately RM60.0 million to be spent over the next three years to facilitate its new business venture which includes the setup cost for the production facility of Pentamaster MediQ and the related cost involved in carrying out the R&D activity of the single-use medical devices.

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

CHUAH CHOON BIN

Non-Executive Chairman

Chuah Choon Bin (male), aged 60, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and was re-designated as the Executive Chairman on 19 December 2017. He currently sits on the Board of Pentamaster International as the Executive Director and Chairman. Pentamaster International 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 Pentamaster International.

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 achieved the following recognitions;

(i) ranked in the top 200 in the Forbes 2020, 2019, 2018 & 2017 Best Under a Billion list of companies that are publicly listed in the Asia Pacific region;

(ii) awarded The Edge Billion Ringgit Club, under the category of the Highest Returns to Shareholders Over Three Years for technology sector in 2020 and 2019 and the Highest Growth in Profit After Tax Over Three Years for technology sector in 2019;

(iii) awarded the Focus Malaysia Best Under Billion Awards 2018 for the Best Revenue Growth, Best Enterprise Value Growth and Overall Winner category, and Focus Malaysia Best Under Billion Awards 2017 for the Best Return on Assets category; and

(iv) recipient of 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 member of Penang Charis Hospice Home and Penang Automation Cluster Sdn. Bhd.. Mr. Chuah sits as the chairman of SJK Kwang Hwa school and he is also appointed to the school board as director for Chung Ling High School, Heng Ee High School and Phor Tay High School. In 2021, he is appointed as the Penang Wawasan Open University Education Foundation Member and Penang i4.0 Seed Fund Evaluation Committee Member.

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.

GAN PEI JOO

Executive Director

Gan Pei Joo (female), aged 45, a Malaysian citizen, was appointed to the Board of the Company on 19 March 2021 and is currently the Executive Director of the Company. She is also the chief financial officer and holds directorship in the subsidiaries of the 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 Pentamaster Group as the group accountant in 2003 and held various positions prior to her promotion as the group financial controller in 2009. Ms. Gan is primarily responsible for the overall management, corporate affairs, finance, treasury, control functions and budgeting of the Group. She also sits on the environment, social and governance (ESG) committee as well as risk management committee of the Group.

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.

She 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. She 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 53, 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 is also a member of the Remuneration Committee and the Nomination 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 one of the Partner in an accounting firm and a Director for a management consultancy firm. Mr. Lee is one of the 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 46, a Malaysian citizen, was appointed to the Board of the Company on 1 August 2014 and is currently the Chairman of the Remuneration Committee, member of the Audit Committee and the Nominating Committee. On 7 August 2017, Mr. Leng was appointed to the Board of Pentamaster International as a Non-Executive Director. Pentamaster International 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 Pentamaster International.

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.

At present, Mr. Leng is also one of the Directors at Crowd Sense Sdn. Bhd. (which operates under the brand name of Cofundr), a recognised market operator for peer-to-peer financing registered with the Securities Commission Malaysia. He was previously a Director at L3 Consulting Sdn. Bhd. and Project Director for Synovate Sdn. Bhd., and prior to that, a 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 60, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and is currently the Chairman of the Nominating Committee. He is also a member of the Audit Committee and the Remuneration 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 50, 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 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.

Teoh Siow Khiang
Senior General Manager

Mr. Teoh Siow Khiang ("Mr. Teoh") (male), aged 64, a Malaysian citizen, has been the senior general manager of 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 47, a Malaysian citizen, has been the chief operating officer of 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 42, a Malaysian citizen, has been the chief operating officer of 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.

Ong Thean Lye

Chief Operating Officer – medical devices division

Mr. Ong Thean Lye ("Mr. Ong") (male), aged 61, a Malaysian citizen, is currently the chief operating officer of Pentamaster MediQ since its inception in 2020. He is primarily responsible for overseeing the daily operation of Pentamaster MediQ in the development of the medical devices business.

Mr. Ong started with Intel Technology Sdn. Bhd. as quality and reliability engineer from 1986 to 1990 before venturing into information technology business. He was a director of Walta Engineering Sdn. Bhd. from 2012 to 2018 and TP Concept Sdn. Bhd. from 2018 to 2020. Currently, Mr. Ong is the director of Walta Centre of Excellence (WCOE) Sdn. Bhd. and a member of the Industrial Advisory Panel (IAP) of the Electrical Engineering Technology Faculty of University Malaysia Perlis (UniMAP).

Mr. Ong graduated with a first class honours in his bachelor degree in applied science majoring in electronic technology in 1986 and later a master degree in the business administration (MBA) in 1996, where both the degrees are from University Science of Malaysia (USM).

You Chin Teik

Vice President of New Business Development

Mr. You Chin Teik ("Mr. You") (male), aged 44, 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.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

1) INTRODUCTION

The Company is pleased to present its Sustainability Statement, covering the environmental, social and governance ("ESG") impacts, policies and initiatives of the Company and its subsidiaries for the year ended 31 December 2020. 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 ESG measures in the Group's business operations.

2) ESG APPROACH

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

The Group's ESG strategy is determined at the board of directors (the "Directors") (the "Board") of the Company which provides oversight of the Group's ESG performance. The Group have established a process to collect data, monitor and report key ESG matters. The quarterly reporting cycle has also been established internally. The Group have set up a repository to retain all information collected, which is required for ESG reporting. In 2020, the Group has a planned program that has incorporated selected ESG awareness and briefings to create a better understanding of what it has to take to adopt an effective ESG measure for the Group.

3) STAKEHOLDERS' ENGAGEMENT

Stakeholders are defined as parties that have interest in the Group and can either affect or be affected by the Group's business activities. The Group conduct periodic engagement with various stakeholders because the Group 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	• Employee's 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

4) SUSTAINABILITY APPROACH

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

Board Diversity

The Group maintain a high standard of governance that is important for the Group's business in the long run. The Company believes that the Board diversity is crucial taking into account (including but not limited to) skills, knowledge, gender, age, cultural and educational background or professional experience. Meanwhile, the Company also considers other elements such as its own business models and specific demands from time to time. All the Board members have wide range of professional experience, contributing to the effectiveness of the Group's business direction.

The current Board's composition under diversified perspectives is summarised as below:

Name of Directors	Gender	Age Group			Educational Background and Professional Experience	
		40 – 49	50 – 59	60 – 69	Engineering	Accountancy and Finance
Mr. Chuah Choon Bin	Male			⚐	⚐	
Ms. Gan Pei Joo	Female	⚐				⚐
Mr. Leng Kean Yong	Male	⚐				⚐
Mr. Lee Kean Cheong	Male		⚐			⚐
Mr. Loh Nam Hooi	Male			⚐		⚐

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 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 remuneration of each Directors is disclosed separately under the Corporate Governance Report.

4) SUSTAINABILITY APPROACH (CONT'D)

ESG Management Structure

The ESG monitoring is spearheaded by a dedicated ESG committee comprising members from different functional groups. This committee reviews and monitors the Group's ESG policies and practices on a regular basis, ensuring compliance with legal and regulatory requirements. The ESG committee is led by the Group's Operation Director and Chief Financial Officer who report to the Chairman. Other responsibilities of the ESG committee include:

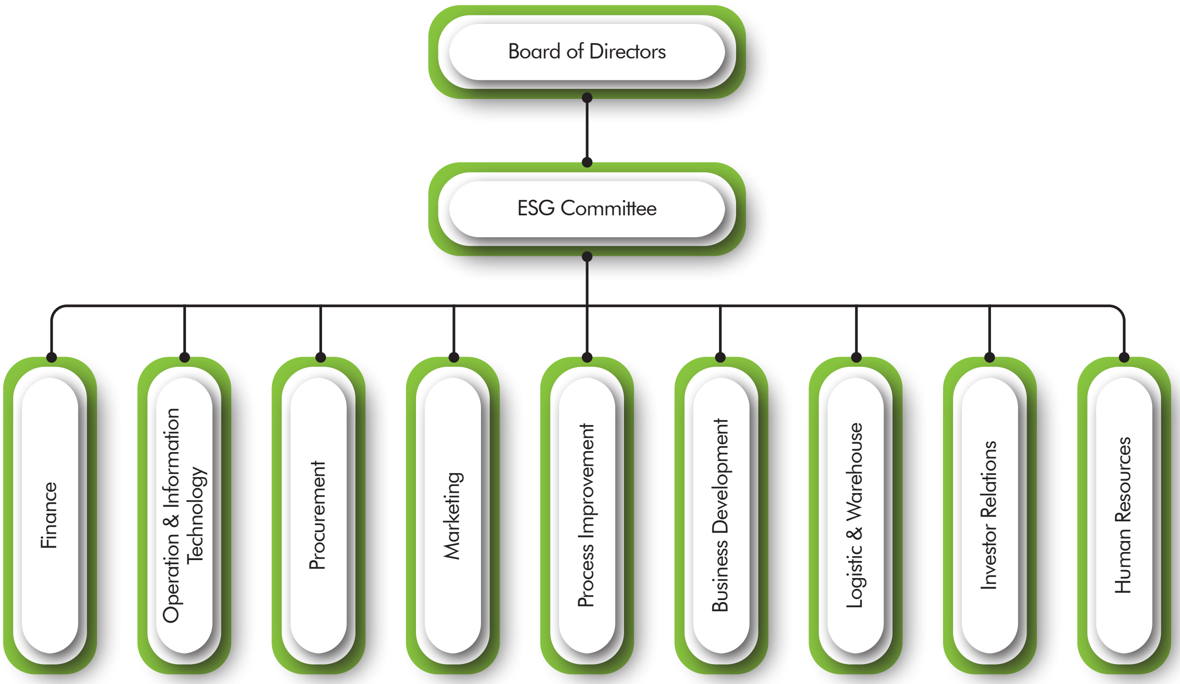
(i) Oversee and execute the Group's sustainability strategy;

(ii) Review and ensure proper disclosure and compliance with the relevant ESG Guidelines;

(iii) Review the annual ESG risks;

(iv) Present and regularly report to the Board on sustainability performance; and

(v) Make recommendations to enhance sustainability strategies and practices.

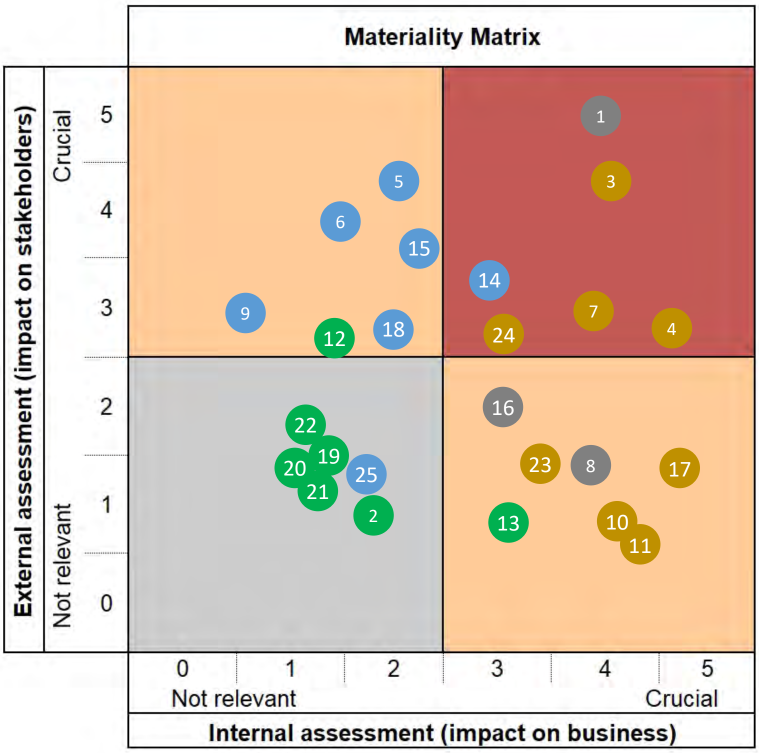


4) SUSTAINABILITY APPROACH (CONT'D)

Materiality Assessment

In 2020, the Group identified various key ESG issues that is material to the Group's on-going business operation. The material ESG issues is deemed significant to the strategy and business of the Group, and the Group placed a priority in addressing the identified key ESG issues and provide key disclosures in this Sustainability Statement.

In 2020, the Group analysed 25 related issues in two dimensions including their "impact on stakeholders" and "impact on business" and selected 11 highly important issues to be disclosed in this Sustainability Statement. These issues are anti-corruption, customer satisfaction, supply chain management, protection of customer privacy, occupational health and safety, employee welfare, employee training, operational impact, product quality control, intellectual property and product safety.



1	Anti-corruption
2	Climate change
3	Supply chain management
4	Protection of customer privacy
5	Occupational health and safety
6	Employee welfares
7	Operational impact
8	Compliance
9	Employee diversity
10	Product safety
11	Product quality control
12	Management of hazardous waste
13	Packaging of finished products
14	Employee training
15	Talent recruitment and retention
16	Corporate governance
17	Research & development
18	Community contribution
19	Water resources management
20	Management of non-hazardous waste
21	Greenhouse gas
22	Energy consumption
23	Customer complaint handling
24	Intellectual property
25	Child labor and forced labor

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

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. The Group's risk management committee conducts meeting at least once a year. The Group's risk management and internal control system covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. With these, the Group have a clear overview of the adequacy and effectiveness of the Group's internal controls and risk management system that would enhance the Group's resilience and minimise the impact of any disruption to business operations.

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

The Group's social practices and policies took into account the employees' welfare, health & safety, personal development and anti-corruption. On the other hand, the Group's operating practices and policies addresses key risks such as supply chain management and product responsibility.

4) SUSTAINABILITY APPROACH (CONT'D)

Key Performance Indicator ("KPI") Target

In setting up the KPI targets to support the Group's long-term sustainability strategy, the Group implemented environmental KPI targets endorsed by the Board, setting the year 2020 as the base year. Setting and disclosing these targets is the key to improve the Group's ESG performance and the overall sustainability of the Group business in the long-term.

5) ENVIRONMENTAL

The Group understands the importance of ESG matters. The Group takes measures to protect the environment in which the Group operates through the implementation of an environmental management system at the factory. Subsidiaries of the Company have been certified with the ISO 9001:2015. At present, the production plant in Batu Kawan is equipped with a ISO Class 9 cleanroom environment, a prerequisite for a number of potential customers in the medical device sector to facilitate diversification into this sector. As part of the Group's plan to develop new business activity within the medical device segment, during the year under review, the Group is in the midst of upgrading its existing ISO Class 9 cleanroom into ISO Class 8 cleanroom and has allocated approximately 50,000 sq. ft. to cater to the ISO Class 8 cleanroom environment. The upgrading process is expected to be completed in the second quarter of 2021.

In 2020, 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 2020, the Group's total emissions are summarised in table below:

Emission	Breakdown	Unit	31 December 2020		31 December 2019		31 December 2018	
			Amount	Intensity(1)	Amount	Intensity(1)	Amount	Intensity(1)
GHG	Direct (Scope 1)	*NO_x, SO_x and PM (tonnes)*	0.96	0.0023	1.03	0.0021	0.87	0.0021
	Indirect (Scope 2)	*CO_2e (tonnes)*	3,445.39	8.2273	3,327.75	6.8319	2,572.75	6.1682
Hazardous waste	Industrial wastage	*tonnes*	0.30	0.0007	0.24	0.0005	0.24	0.0006
Non-hazardous waste	Solid wastage	*tonnes*	131.93	0.3150	114.42	0.2349	168.90	0.4049

Notes:

(1) Intensity of emissions is calculated based on the amount of emission divided by the Group's revenue (RM' million) in 2020, 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 the Group's 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.

5) ENVIRONMENTAL (CONT'D)

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 the Group suggested solution is approved by the Group's customers. The Group's quality assurance also helps in managing the reliability and quality of the Group's products so the Group 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.

The Group intends to reduce both the direct and indirect intensity of GHG as a whole by 20% by 2030, stating 2020 as the base year. The Group intends to encourage employees to opt for a more environmental-friendly vehicle that contributes to lower GHG emission. The Group plans to install more smart sensors that could help in mitigating power wastages.

The Group intends to seek lower production of hazardous and non-hazardous wastages as a whole by 20% by 2030, stating 2020 as the base year. The Group intends to continue to encourage employees to play a part in minimising unnecessary wastages. The initiatives may include opting for materials that could be recycled or reused, thereby minimising further wastages. The Group will also work with reputable suppliers that produce a more sustainable raw material.

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 the Group's 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.

Some of the actions the Group 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 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). In 2020, the Group opted to retire split air-conditioning system and integrate into the exiting centralised air conditioning system. Centralised air-conditioning system is expected to contribute to more energy savings as compared to the split air-conditioning system.

The Group strives to reduce unnecessary usage of resources from time to time. The Group currently implemented more initiatives to reduce paper wastages such as going paperless during the Board of Directors meeting. Certain effort to support paperless initiatives include approval on the system without hardcopy printout.

5) ENVIRONMENTAL (CONT'D)

Use of Resources (cont'd)

The Group was not aware of any incident of non-compliance in 2020 with the relevant laws and regulations relating to environmental protection in the countries in which the Group operates that would have a significant impact on the Group.

In 2020, the Group's total use of resources are summarised in the table below:

Resources	Item	Unit	31 December 2020		31 December 2019		31 December 2018	
			Amount	Intensity(1)	Amount	Intensity(1)	Amount	Intensity(1)
Energy(a)	Electricity	*kWh'000*	4,169.88	9.9573	4,095.46	8.4081	3,157.29	7.5697
Water(b)	Water	*m^3*	36,115.40	86.2408	64,559.56	132.5419	55,808.00	133.8007
Others(c)	Packing Materials	*tonnes*	131.93	0.3150	114.42	0.2349	168.90	0.4049
	Papers	*tonnes*	1.73	0.0041	2.58	0.0053	3.76	0.0090

Notes:

(1) *Intensity of resources is a representation of resources used per the Group's revenue (RM' million) in 2020, 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 increase in the electricity usage intensity in 2020 was mainly due to decrease in revenue caused by the pandemic which has curtailed the overall Group's revenue. The increase in the electricity usage intensity in 2019 was mainly due to acquisition of TP Concept.*

(b) *Water is mainly for office use. The Group does not have any issue in sourcing water for consumptions. The Group strives to minimise water consumption by monitoring usage of water regularly. The Group have also encouraged employees to increase the awareness of environmental protection through water conservation. The decrease in water usage intensity in 2020 was mainly due to re-piping done in conjunction with the renovation on the Group's production plant towards the end of 2019 resulting in less water leakages. The decrease in 2020 was also due to less water consumed as the Group implemented initiative to work from home to curtail the impact of COVID-19 pandemic. The significant increase in water usage intensity in 2019 was mainly due to acquisition of TP Concept.*

(c) *Usage of other resources consists of paper which was mainly for office use and packing materials for the Group's products. The increase in packing materials intensity in 2020 was mainly due to more packaging materials used for the factory automation solution segment. The products from factory automation solution segment are generally bigger in size as compared to automated testing equipment segment. The decrease in packing materials intensity in 2019 was mainly due to more assembly process conducted at client premises.*

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.

The Group intends to reduce the intensity of energy and water usage by 20% by 2030, setting the year of 2020 as the base year. Further details on conserving electricity usage are described above. Reducing the usage of water is the main priority by implementing various robust measures to rely on rainwater harvesting and encouraging employees to conserve water.

5) 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 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, the Group employs multiple ways to reduce GHG such as installation of smart sensors in the factory building to control electricity usage and encourage staffs to minimise electricity usage. The Group also encourages employees to take direct flights as opposed to taking transit flights as a way to reduce carbon emission.

The production plant in Batu Kawan, Penang includes a few smart sensors which are capable of controlling 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 the production plant in Batu Kawan, Penang. The Group's 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.

6) SOCIAL

Employees

The Group is committed to the well-being of employees who had played a major role in driving the growth of the Group over the years. The Group promotes and fosters conducive working environment such as open communication policy in order for the employees to stay motivated. The Group's employees are encouraged to be innovative to help foster interesting working environment.

The Group's employees are strictly bound by the Group's code of conduct which reflects the Group's culture and serves as a guide for Directors, managers and employees in their daily activities. It describes the values, principles and practices that guide the Group conducted its business. 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.

6) 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. In 2020, the Group does not have any 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. The Group did not receive any report pertaining to any sexual harassment incident in 2020.

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 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. During the year under review, the Group does not breach the requirement for minimum wage.

The Group recognises the criticality in maintaining highly motivated and competent employees. As part of the long-term plan to nurture and retain its key management and employees, the Company, implemented the share award scheme during the listing of Pentamaster International on the Hong Kong Stock Exchange. Further, on 1 April 2020, Pentamaster International adopted a share award scheme which is valid and effective for a term of ten years to serve as part of the Group's employee retention program in retaining its existing employees and to attract suitable personnel for further development of the Group.

As of 31 December 2020, the Group had a total workforce of 623 (2019: 542; 2018: 505), of which 17.5% (2019: 17.5%; 2018: 17.8%) were female.

Total employment by age group and geographical region

	Below 30	30 to 49	50 and above	Total
Malaysia	48.64%	41.41%	4.49%	**94.54%**
Others	1.77%	3.69%	-	**5.46%**
Total	**50.41%**	**45.10%**	**4.49%**	**100.00%**

Total employment by employment type

	Permanent	Contract	Total
Malaysia	92.45%	1.93%	**94.38%**
Others	5.62%	0.00%	**5.62%**
Total	**98.07%**	**1.93%**	**100.00%**

Employee turnover rate

	Below 30	30 to 49	50 and above	Total
Malaysia	11.88%	3.37%	0.32%	**15.57%**
Others	0.16%	0.32%	-	**0.48%**
Total	**12.04%**	**3.69%**	**0.32%**	**16.05%**

In 2020, 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 penalty by the government and was not involved in any lawsuit related to employment.

6) 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.

Certain measures are implemented by the Group to ensure safety and healthy workplace is maintained such as:

(i) Signages and markings

(ii) Personal protective equipment: eye-protection and body harness kit

(iii) Ceiling-based power point and compressed air facility

Signages and markings are put in place to remind employees to adhere to the safety standards at all times around the Group's premises. The ceiling-based power point and compressed air facility are installed to prevent injuries such as cable tripping.

As required by the relevant laws and regulations in Malaysia, the Group has 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 the Group's 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. The Group's Operation Director oversees the OSHA including the progress of health and safety condition in the Group's premises. The Group's Operation Director reports any issues to the Board.

In 2020, 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 penalty by the government and was not involved in any lawsuit related to health and safety.

If there is a reported work injury, the case would first be referred to the project leader to investigate the cause of injury. A separate note would be raised and documented by the Human Resource Department to prevent similar work injury happening in the future. During the year under review, the Group has 2 cases of work injury contributing to 59 lost days (2019: nil; 2018: 1 case of work injury).

COVID-19 Initiatives

The Group's operation was disrupted by the unprecedented COVID-19 pandemic in most of 2020. With the imposition of global lockdowns by the respective government across the world coupled with the global travel restrictions and suspension of certain business activities, the Group entered the first half of year 2020 embracing the enormous amount of challenges and pressure brought by the pandemic.

In keeping the welfare of the workforce during COVID-19 pandemic, the Group has implemented various measures such as:

(i) Staff Management: work from home (WFH) and proper social distancing procedures

6) SOCIAL (CONT'D)

COVID-19 Initiatives (cont'd)

(ii) Cost Management: reimbursement of COVID-19 test

(iii) Crowd Management: creating standard operating procedures to avoid unnecessary gathering or physical meeting

(iv) Time Management: allocating various time slots for breaks

(v) Health Management: sanitisation and disinfection

(vi) Meeting Management: virtual meeting

(vii) Personal Protection Management: wearing face mask

The Group will implement additional measures when necessary to prevent the spread of COVID-19 pandemic.

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.

The Group acknowledged the importance of engaging the employee in continuous skill development. On a regular basis, the head of department is tasked to identify the list of courses required to be offered among the staff of the Group. The Group also places importance in expanding its medical devices division where a total of more than 60 hours of training was organised to selected employees for this division.

During the year under review, the employees with managerial title and above are required to attend the essential skills for managerial success course so they are able to manage juniors. The managers are also trained to handle reports of bullying and harassment.

In 2020, 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) Microsoft Visual Studio 2017;

(ii) ISO 13485:2016 Medical Devices;

(iii) Process Validation for Medical Devices;

(iv) ISO 14971:2012 Risk Management;

(v) Hardware Assemblies (Cables & Wiring);

(vi) Essential Skills for Managerial Success; and

(vii) 6's Implementation Post COVID-19

6) SOCIAL (CONT'D)

Development and Training (cont'd)

The summary of employees training in 2020 is as follows:

Total cost of training (RM'000)	131
Total number of hours of training received by employees	350
percentage (%) of employees who received training	41.9%
By gender	
Male	36.8%
Female	66.1%
Average hours of training per employee (Overall)	16.1
By gender	
Male	16.4
Female	15.4
By employee category	
Manager	13.5
Administration Personnel	14.9
Engineering Personnel	18.4
Technician Personnel	16.0

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 operations.

In 2020, the Group has strictly complied with the local employment laws and regulations and does not engage in any child or forced labour.

In accordance with the Group's recruitment policy, the Group strictly does not practise hiring any Child in any operating countries or implement Forced Labour.

"Child" means any person who is under the age of 15 years.

"Forced Labour" means all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.

The minimum age allowed for recruitment in Pentamaster is at least 18 years old. Any person who has attained the age of 15 years and under the age of 18 years old might be hired subject only to apprentice contract or vocational training.

In compliance with local law, the Group observes standard working hours and implement overtime pay to those who work beyond the normal working hours. While the Group provides flexibility in the work arrangement, employees are encouraged to manage their working hours so they do not have to work overtime.

6) SOCIAL (CONT'D)

Anti-corruption

The Group's 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 adopted an Anti-Corruption Policy which sets out parameters to prevent the occurrence of bribery and corrupt practices in the conduct of the Group's business. This policy provides information and guidelines to all Directors and employees of the Group on the standard of behaviour which they must adhere to and how to recognise and deal with bribery and corruption. In accordance with the Anti-Corruption Policy, all existing employees will receive regular and adequate training on the Group's position regarding anti-corruption and bribery, integrity and ethics to ensure their thorough understanding of Anti-Corruption Policy, especially in relation to their role within the Group.

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 workplace, the concern can be reported through an appropriate channel and the outcome will be reported at the Audit Committee meetings.

The Anti-Corruption Policy and Whistleblowing Policy of the Group are available on the Company's website.

In the past 3 years up to the year under review, the Group does not have any legal cases regarding corrupt practices.

7) OPERATING PRACTICES

Products Overview

As disclosed in this Annual Report, the Group is a leading global provider of advanced automation equipment and systems serving customers across the electro-optical, automotive, consumer and industrial product, semiconductor and medical devices segment.

In line with the Group's business model, which focuses on core technology, continuous innovation and provision of customised high value-add technology products and solutions to the Group's customers, the Group emphasises on delivering high-quality products.

A project may originate from a customer enquiry or at internal development initiative to introduce new products and solutions to existing or potential customers. The Group's senior technical personnel first communicates with customer to understand project specifications and requirements. Based on the information obtained, the Group 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. The project manager is also actively engaging with customer after project completion to ensure the quality of after-sales services.

7) OPERATING PRACTICES (CONT'D)

Supply Chain Management

The Group is committed in ensuring a good supply chain management system and a good procurement practice. Procurement process encourages fair competition and applies a high level of objectivity and impartiality in supplier selection.

The Group believes in building close and long-lasting relationships with partners and suppliers based on common ground and shared values. Hence, the Group expects all vendors to adhere to the same high standards for ethics, labour rights, health and safety, and the environment.

On 16 January 2017, the Group had via its subsidiary, Pentamaster Technology, as part of the initiatives to improve supply chain ecosystem in Malaysia, 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.

Supplier Engagement and Procurement

In general, the Group's major suppliers are mainly manufacturers, agents and distributors for: (i) fabricated parts made of metal or plastic; (ii) sheet metal parts for machine structure; and (iii) standard components such as pneumatics, motors, sensors, switches and power supply, whilst other suppliers include subcontractors to whom the Group outsources the wiring and assembly tasks involved in manufacturing process. The Group is dependent on reliable sources of materials to maintain the quality and timely delivery of products and solutions.

Based on the list of materials required for each project, the procurement department conducts materials planning via enterprise resource planning system that controls the materials inventory. For materials readily available in the inventory, procurement department generates internal job orders to release such materials from inventory to manufacturing. Otherwise, the Group purchases materials from suppliers.

To control the quality of products and solutions, the Group only purchases from approved suppliers who can meet quality standards with on-time delivery record. In addition, the Group may conduct random sampling or comprehensive check on the quality of materials received from the suppliers. Quality check of incoming materials is mandatory for fabrication parts, sheet metal parts and critical components. The quality check includes, but is not limited to, visual inspection on the material appearance, dimensional check as well as fitting test with mating parts. Materials failing the quality check are rejected and returned to the suppliers for rework or replacement.

As for the process of identifying new supplier, the Group's procurement department will carry evaluation on the quality of products delivered by the new supplier in accordance with the Group's Procurement Policy.

The Group maintain a list of approved suppliers for each type of sourced items. The criteria to qualify as an approved supplier of the Group are set out below, among others in accordance with the Group's Procurement Policy:

(i) the supplier must be a legally registered business entity;

(ii) the supplier must have stable financial conditions;

(iii) the supplier must be able to provide service and respond to enquiries effectively;

(iv) the supplier must be able to provide sustainable supply; and

(v) the supplier must be able to provide competitive prices for the items it supplies;

7) OPERATING PRACTICES (CONT'D)

Supplier Engagement and Procurement (cont'd)

All suppliers are required to apply for the registration as an approved supplier prior to any engagement. The applications are subject to the approval by the manager of procurement department, Chief Financial Officer and Directors according to the criteria set out above. Once approved, the supplier will be registered on the list of approved suppliers. At the end of 2020, the Group has more than 900 approved suppliers.

In accordance with the Group's Supplier Assessment Policy, the procurement department conducts annual assessment on major suppliers based on the quality of items supplied, record of on-time delivery, service performance and pricing. Any supplier with poor rating under the assessment will be subject to request by procurement department for improvement or discontinuation of engagement in the future.

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 products to customers. The Group is committed to protect environment while at the same time improve production and cost efficiency. The Group aims to continuously deliver outstanding customised solution to customers. The Group also aims to minimise potential harm to the environment.

In line with the Group's business model, which focuses on core technology, continuous innovation and provision of customised high value-add technology products and solutions to 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 solutions.

The Group placed a high importance in delivering high-quality customised product solution to customers. In fulfilling customers' requirement and anticipating future demand in technology solution, the Group's research and development team goes hand-on-hand together with the main project team to develop the solution. The research and development team also sets KPIs to develop new solution and/or improve the productivity of existing solution so they could better serve the customer. The intensive research and development activities, has contributed to higher number of proprietary solutions and as a result more intellectual properties ("IP") are being filed. 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.

In relation to the Group's IP 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 customers. Non-disclosure agreements relating to collaborations with third parties are reviewed by the Company's legal team to protect the IP. The Group also protect stakeholders' data by ensuring data is only accessible to team members in charged while the team members' conduct is governed by the code of conduct.

In 2020, 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. The Group was also not aware of any material infringements of any intellectual property rights owned by third parties or by any third parties of any intellectual property rights owned by us.

The Group generally provides customers up to one-year warranty on products upon customer buy-off, except for (i) the warranty of standard components is usually one year from the date of manufacture; and (ii) the warranty of fabrication parts varies depending on their respective lifespan.

7) OPERATING PRACTICES (CONT'D)

Product Responsibility (cont'd)

During the warranty period, the Group offers free service and support to customers in terms of product maintenance and replacement of relevant components or modules (excluding consumable parts i.e. those subject to wear and tear).

Customer complaints are typically directed to project team. In accordance with the Customer Complaint Procedure Policy, upon receipt of customer complaints, the relevant project team is required to respond to customers within 2 working days and lodge 8D report inside the Group internal system. The relevant project team would proceed to investigate the complaint thoroughly and engage with customers closely to solve the complaint. The relevant project team is required to submit containment plan to customers and implement accordingly in not more than 14 days. However, in the event the complaints extend beyond 14 days, the relevant project team will continue to engage with the customers to work within a reasonable time line to fix the complaints. In 2020, the Group received 3 complaints and all were settled in less than 14 days.

Quality assurance of outgoing products is performed before shipment and customer buy-off. The quality assurance mainly involves various inspections on the conformance of product with the specifications and product trial running to ensure its stability and robustness. Products failing the quality assurance are fine-tuned and further enhanced to ensure they meet the customer's requirements before shipment and customer buy-off. As the case may be, certain customers may choose to attend the quality assurance at the premise. The Group stringent quality control process is recognised with the accreditation of ISO9001:2015.

If there is a product recall, the relevant project team shall investigate and lodge an 8D report inside the Group internal system to identify the issue within 14 days. Where necessary, the R&D team shall be included to identify the issues. In 2020, the Group does not have any product recall for safety and health reasons.

Support and contribution to communities

The Group's responsibility to the community where the Group lives in goes beyond fulfilling a corporate obligation-it is a commitment the Group makes because the Group truly believes the Group owes a large part of the Group's success to the society in which the Group operates. In giving back, the Group pays special attention to the less privileged segment of the Group's society.

The Group's initiatives are carried out by a community care manager whose core function is to identify causes where the Group can best contribute and effectively support. The Group has 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.

The year of 2020 has been highly disruptive by the unprecedented COVID-19 pandemic with its pervasive effect causing worldwide spreading and thereby hampering global economic situation with declaration of public health emergencies in many countries and regions. With the imposition of lockdowns throughout Malaysia in 2020, the Malaysian economy contracted by more than 5.0% in 2020 while the unemployment rate rose to a level not seen since 1963.

In addressing, the COVID-19 pandemic, the Group took proactive measure throughout the year, such as:

(i) Providing used-computer to schools and charity homes to support e-learning;

(ii) Producing low-cost ventilator to support local hospitals; and

(iii) Providing financial assistance to individuals who face financial difficulty.

7) OPERATING PRACTICES (CONT'D)

Support and contribution to communities (cont'd)

The Group made various donations to support a few NGOs. One of the NGOs came with an objective of helping the poor and the needy in the community by providing food and educational aid. The Group also supported an NGO that is dedicated in promoting hospice and palliative care in Asia and the Pacific. Hospice and palliative care is a form of providing comprehensive comfort care as well as support for the family in alleviating life-threatening illness.

In line with the Group's belief that education is the key to the long-term betterment of life, the Group has financially supported several schools, including Kwang Hwa School, Chung Ling High School and UTAR education foundation. The Group continues to support the internship program to young graduates to support the interest in developing career in the semiconductor section. The Group provides industrial training to students from universities, colleges, polytechnics and other technical/vocational institutions. The Group is committed towards local employment and hire most of its employees locally. As the Group's operation is predominantly based in Malaysia, 94.4% of its employees are local employees in Malaysia.

The Group is also very supportive towards developing local business community. The Chairman is actively involved in sharing his expertise and advices to nurture small businesses and start-ups.

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 https://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 Main Market 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 https://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 https://www.pentamaster.com.my.

Anti-Corruption and Bribery Policy and Whistleblowing policy

The Group has adopted an Anti-Corruption and Bribery Policy which sets out parameters to prevent the occurrence of bribery and corrupt practices in the conduct of the Group's business. This policy provides information and guidelines to all Directors and employees of the Group in relation to the standard of behaviour which they must adhere to and how to recognise and deal with bribery and corruption.

The Board recognises the importance of whistle blowing where a programme has been introduced for the employees as well as customers, consultants, vendors, contractors and/or any other parties with a business relationship with the company to channel concerns about illegal or unethical business conduct affecting the Company.

Any employee or member of the public who have concerns about illegal or unethical business conduct in the work place, the concerns may be reported to the appropriate channel, and the matter and outcome will be highlighted at the Audit Committee meetings.

The Anti-Corruption and Bribery Policy and Whistleblowing Policy of the Group are available on the Company's website at https://www.pentamaster.com.my.

II. Board Composition

The Board presently has five (5) members which consists of one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. 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 14 to 16 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 recognises that it is important to periodically assess whether a Director who is designated as independent continues 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.

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

II. Board Composition (cont'd)

Annual assessment of independent directors (cont'd)

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.

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. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval.

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 eighteen (18) 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 recognised 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;

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

II. Board Composition (cont'd)

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

(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.

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 summarisation 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 2020, there were four (4) Board meetings held. The commitment of the Directors in carrying out their duties is reflected in 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	4/4
Chuah Chong Ewe(1)	Executive Director	4/4
Gan Pei Joo(2)	Executive Director	-
Leng Kean Yong	Non-Independent Non-Executive Director	4/4
Loh Nam Hooi	Independent Non-Executive Director	4/4
Lee Kean Cheong	Independent Non-Executive Director	4/4

Notes:
(1) Mr. Chuah Chong Ewe resigned from the Board on 19 March 2021.
(2) Ms. Gan Pei Joo was appointed to the Board on 19 March 2021.

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

II. Board Composition (cont'd)

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.

During the financial year ended 31 December 2020, the current Directors of the Company had attended training programmes, 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 2021	• Webinar	0.5
Chuah Chong Ewe	• Grant Thornton: Budget 2021	• Webinar	0.5
Gan Pei Joo	• Grant Thornton: Budget 2021 • Grant Thornton: COVID-19 In the Eyes of CFOs • Malaysia Institute of Corporate Governance: Workshop on Corporate Liability Provision • Bursa Malaysia: ESG Engagement for FTSE4Good Bursa Malaysia Index • China - Malaysia Electronics Industry Cooperation (Bursa Malaysia & Shenzhen Stock Exchange) • Reanda LLKG Intl: Upclose with Budget 2021 • Securities Commission Malaysia: ESG Shariah-Compliant Screening for Securities • Grant Thornton: Understanding the new Transfer Pricing requirements • 21st Credit Suisse Asian Technology Conference • HKeX e-Learning on Notifiable Transaction Rules	• Webinar • Webinar • Webinar • Briefing • Conference • Webinar • Webinar • Webinar • Conference • Webinar	0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5 1.0 0.5
Leng Kean Yong	• Grant Thornton: Budget 2021 • Grant Thornton: COVID-19 In the Eyes of CFOs • China - Malaysia Electronics Industry Cooperation (Bursa Malaysia & Shenzhen Stock Exchange) • Advancing Malaysia – 5G And Industry 4.0 • 21st Credit Suisse Asian Technology Conference • HKeX Information Session on 2020 Annual Attestation and Inspection Programme • HKeX e-Learning on Notifiable Transaction Rules • Vistra: What you need to know for a long-term successful IPO	• Webinar • Webinar • Conference • Conference • Conference • Conference • Webinar • Webinar	0.5 0.5 0.5 1.0 1.0 0.5 0.5 0.5
Loh Nam Hooi	• Grant Thornton: Budget 2021	• Webinar	0.5
Lee Kean Cheong	• Grant Thornton: Budget 2021 • Tricor Services: Budget 2021 • Lembaga Hasil Dalam Negeri Malaysia: Budget Proposal 2021 • Structured Advocacy Session for Directors and Senior Management of LEAP Market Listed Corporation • Preference Shares Under Companies Act 2016 • Improve Productivity in Difficult Situation. How to do MORE with LESS? • Tax Impact on COVID-19 • Heightened Expectation of Directors under Companies Act 2016	• Webinar • Webinar • Webinar • Webinar • Webinar • Webinar • Webinar • Webinar	0.5 0.5 0.5 0.5 0.5 0.5 0.5 0.5

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

II. Board Composition (cont'd)

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. To date, the representation of women director on the Board is 1.

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;

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 https://www.pentamaster.com.my.

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

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.

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

III. Remuneration (cont'd)

Remuneration policies and procedures (cont'd)

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 https://www.pentamaster.com.my.

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

The Remuneration Committee has met once during the financial year.

Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2020 are disclosed in the Corporate Governance Report which is available on the Company's website at https://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	2
551,000 to 600,000	1
601,000 to 650,000	2
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, who is a member of the Malaysian Institute of Accountants. Other members of the Audit Committee are 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, re-appointment 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;

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

I. Audit Committee (cont'd)

Audit Committee Composition (cont'd)

- 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;

- 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 Requirements 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.

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

I. Audit Committee (cont'd)

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

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.

The Audit Committee recognises 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 in 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 in 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 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, https://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 2020, 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 30 March 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 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 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 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 2020. 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 2020 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 30 March 2021.

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)	4/4
Members:	Loh Nam Hooi (Independent Non-Executive Director)	4/4
	Leng Kean Yong (Non-Independent Non-Executive Director)	4/4

2. TERMS OF REFERENCE

The terms of reference of the Audit Committee is available on the Company's website at https://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 four (4) times during the financial year ended 31 December 2020 and had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee: -

Financial reporting

a) Reviewed the financial performance and financial highlights of the Group at quarterly meetings.

b) Reviewed the unaudited quarterly financial results of the Group before recommending the same to the Board of Directors for approval and subsequent release to Bursa Malaysia Securities Berhad.

c) Reviewed the audited financial statements of the Group and Company for the financial year ended 31 December 2019 before recommending the same to the Board of Directors for approval.

External Audit

a) Reviewed the status of the audit for the financial year ended 31 December 2019 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. The external auditors briefed the Audit Committee on key audit matters that were of 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)

External Audit (cont'd)

b) Reviewed the independence of the external auditors. 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.

c) Reviewed the extent of assistance rendered by management in the course of the audit and based on feedback from the external auditors, the Audit Committee 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 major matters to highlight to the Audit Committee.

d) 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.

e) Reviewed and approved the external auditors' audit plan for the Group and the Company for the year ending 31 December 2020 which 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. The Audit Committee also reviewed and agreed to the proposed reporting timeline of the audit for the financial year ending 31 December 2020 to meet the reporting deadlines.

Internal audit and risk management

a) Met with the internal auditors twice during the year to receive internal audit reports on internal audit activities that had been conducted in accordance with an audit plan approved by the Audit Committee. Relevant members of management 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.

b) Reviewed the status updates provided by the internal auditors 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 were resolved satisfactorily.

c) Received briefing by management on the activities carried out by the Risk Management Team in assessing and managing risks in the Group.

Other matters

a) Reviewed the Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2019 and recommended it to the Board of Directors for approval.

b) Reviewed and approved the Audit Committee Report for the financial year ended 31 December 2019 for inclusion in the Company's Annual Report 2019.

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 2020 was RM60,000.

5. SUMMARY OF WORK OF THE INTERNAL AUDITORS

During the financial year ended 31 December 2020, 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 purchasing management, logistic management, scrap management, quality control management and human resource management of major subsidiaries in the Group. 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 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 Origo 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. Origo 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, a former 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 2020

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

During the year ended 31 December 2020, a sum of approximately HK$10.6 million (equivalent to approximately RM5.8 million) has been used to acquire 5,880,000 shares of Pentamaster International (the "PIL Shares") from the open market by the trustee of the Scheme. No PIL Shares have been granted to eligible employees (including any directors) under the Share Award Scheme 2020 during the year.

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

SHARE AWARD SCHEME 2020 (cont'd)

The maximum number of shares to be subscribed for and/or purchased by the trustee by applying the trust fund of the Share Award Scheme 2020 for the purpose of the Share Award Scheme 2020 shall not exceed 5% of the total number of issued shares of Pentamaster International from time to time. The maximum number of shares which may be awarded to a selected employee under the Share Award Scheme 2020 shall not exceed 1% of the total number of issued shares from time to time.

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 2017

Subsequent to obtaining approval from the Company's shareholders on 16 November 2017 and in relation to the listing of Pentamaster International on the Hong Kong Stock Exchange ("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 2017"), 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. The utilisation of proceeds of RM29.5 million raised from the Share Award Scheme 2017 up to 31 December 2020 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	2,048	Within five (5) years	17,952
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
Total	**29,500**	**29,500**	**11,548**		**17,952**

UTILISATION OF PROCEEDS (cont'd)

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 2020 is as follows:

Purpose	Proposed Utilisation		Gross Proceeds Received(2) (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Balance (RM'000)
	Minimum Scenario(1) (RM'000)	Maximum Scenario(1) (RM'000)				
Business expansion through investment and acquisition	33,972	37,775	32,741	-	Within five (5) years	32,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	25,012	Within five (5) years	3,636
Working capital	21,172	23,549	20,405	20,405	Within five (5) years	-
Defray estimated expenses in relation to Listing Exercise, bonus issue and share split, collectively	5,508	5,508	5,306	5,306	Within six (6) months	-
Total	**90,378**	**99,891**	**87,100**	**50,723**		**36,377**

Notes:
1. *(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. *(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.*

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 2020 are as follows:-

	Group (RM)	Company (RM)
Audit fees	545,298	52,000
Non-audit fees*	17,000	3,000
Total	**562,298**	**55,000**

*Non-audit fees paid or payable to the auditors or a firm or corporation affiliated to the auditors' firm in relation to:-

(i) review of Statement on Risk Management and Internal Control; and

(ii) verification of annual confirmation forms to Malaysian Investment Development Authority.

RECURRENT RELATED PARTY TRANSACTIONS

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

DIRECTORS' REPORT

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 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.

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation for the financial year	**112,258,261**	**28,831,405**
Attributable to:		
Owners of the Company	**70,885,552**	**28,831,405**
Non-controlling interests	**41,372,709**	**-**
	112,258,261	**28,831,405**

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 2020** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the Company had on 21 August 2020 paid a final single tier dividend of RM0.015 per ordinary share amounting to RM7,123,172 in respect of the financial year ended 31 December 2019.

On 25 February 2021, the Directors recommended a final single tier dividend of RM0.015 per ordinary share amounting to approximately RM10,700,000 in respect of the financial year ended 31 December 2020 for shareholders' approval at the forthcoming Annual General Meeting. The current financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

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 237,439,022 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 6 August 2020 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 commencing from the end of the financial year to the date of the report are as follows:

Directors of the Company:

Chuah Choon Bin
Leng Kean Yong
Loh Nam Hooi
Lee Kean Cheong
Gan Pei Joo (appointed on 19.3.2021)
Chuah Chong Ewe (resigned on 19.3.2021)

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:

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 1.1.20	**Effect of Bonus issue**	**Bought/ (Sold)**	**Balance at 31.12.20**
Interest in the Company				
Direct Interest:				
Chuah Choon Bin	93,280,080	46,640,040	500,000	140,420,120
Chuah Chong Ewe	21,585,369	10,792,684	-	32,378,053
Loh Nam Hooi	291,600	145,800	-	437,400
Indirect Interest:				
Chuah Choon Bin	92,340*	46,170	-	138,510

* Deemed interest by virtue of shares held by spouse.

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	|--------- Number of ordinary shares of HKD0.01 ------|			
	Balance at 1.1.20	Bought	Sold	Balance at 31.12.20
Interest in a subsidiary				
Pentamaster International Limited				
Direct Interest:				
Chuah Choon Bin	17,740,800	-	-	17,740,800
Leng Kean Yong	552,000	1,540,000	(2,092,000)	-

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	**597,000**	**1,955,357**	**2,552,357**
Defined contribution plan	**69,600**	**400,400**	**470,000**
Fees	**211,200**	**157,499**	**368,699**
Benefits-in-kind	**-**	**28,000**	**28,000**
	877,800	**2,541,256**	**3,419,056**

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 RM60 million and RM37,513 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 all known bad debts had been 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 the amount of written off for 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 37 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are disclosed in Note 38 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton Malaysia PLT**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2020 is disclosed in Note 27 to the financial statements.

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

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

Signed in accordance with a resolution of the Directors:

....	....
Chuah Choon Bin	**Gan Pei Joo**

Penang,

Date: 30 March 2021

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 69 to 138 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 2020** 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	**Gan Pei Joo**

Date: 30 March 2021

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 69 to 138 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 **30th**)
day of **March 2021.**)

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

Before me,

....
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF PENTAMASTER CORPORATION BERHAD 200201004644 (572307-U)

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 2020** 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 69 to 138.

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 2020** 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' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("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 26 to the financial statements)*	
The revenue recognition from the automated test equipment and factory automated 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 RM419 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 a 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
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 2020. 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. - Evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions with the assistance of our valuation experts. - 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.

There is no key audit matter to be communicated in respect of the audit of the 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.

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

- 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.

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 Matters

(i) 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.

(ii) The financial statements for the preceding year ended 31 December 2019 were audited by **Grant Thornton** whose report dated 17 March 2020, expressed an unqualified opinion on those financial statements. The practice of **Grant Thornton** has merged with **Grant Thornton Malaysia PLT** effective from 1 January 2021.

Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494 - LCA)
Chartered Accountants

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

Penang

Date: 30 March 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	NOTE	GROUP 2020 RM	GROUP 2019 RM	COMPANY 2020 RM	COMPANY 2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**121,781,664**	85,627,447	**1**	1
Investment properties	5	**19,667,970**	9,948,485	**-**	-
Goodwill on consolidation	6	**4,495,368**	4,495,368	**-**	-
Intangible assets	7	**40,711,368**	40,099,787	**-**	-
Investment in subsidiaries	8	**-**	-	**102,212,399**	97,655,192
Investment in an associate	9	**7,583,240**	4,062,168	**-**	-
Other receivables, deposits and prepayments	10	**10,608,703**	21,460,188	**-**	-
Amount due from a subsidiary	11	**-**	-	**25,774,915**	25,174,916
		204,848,313	165,693,443	**127,987,315**	122,830,109
Current assets					
Inventories	12	**33,835,861**	59,457,888	**-**	-
Trade receivables	13	**141,627,682**	65,599,931	**-**	-
Other receivables, deposits and prepayments	10	**10,228,536**	21,026,584	**7,705**	8,505
Amount due from subsidiaries	11	**-**	-	**9,287,514**	10,423,614
Derivative financial assets	14	**3,335,637**	2,395,368	**-**	-
Other investments	15	**676,456**	-	**-**	-
Tax recoverable		**1,227,720**	145,628	**110**	110
Cash and cash equivalents	16	**437,321,211**	423,251,420	**136,978,898**	119,215,553
		628,253,103	571,876,819	**146,274,227**	129,647,782
TOTAL ASSETS		**833,101,416**	737,570,262	**274,261,542**	252,477,891
EQUITY AND LIABILITIES					
Share capital	17	**79,303,370**	79,303,370	**79,303,370**	79,303,370
Shares held for share award scheme	18	**(5,849,424)**	-	**-**	-
Retained profits	19	**434,971,549**	357,297,941	**194,448,103**	172,739,870
		508,425,495	436,601,311	**273,751,473**	252,043,240
Non-controlling interests		**196,878,253**	159,285,350	**-**	-
Total equity		**705,303,748**	595,886,661	**273,751,473**	252,043,240
Non-current liabilities					
Deferred income	20	**1,745,853**	2,072,034	**-**	-
Deferred tax liabilities	21	**4,836,888**	5,374,320	**-**	-
Other payables, accruals and provision	22	**-**	5,597,818	**-**	-
Borrowings	23	**2,564,924**	3,004,456	**-**	-
		9,147,665	16,048,628	**-**	-
Current liabilities					
Trade payables	24	**64,133,996**	33,031,746	**-**	-
Other payables, accruals and provision	22	**37,889,942**	40,719,109	**510,069**	432,586
Contract liabilities	25	**15,470,869**	49,558,604	**-**	-
Amount due to a subsidiary	11	**-**	-	**-**	2,065
Borrowings	23	**411,249**	357,700	**-**	-
Tax payable		**743,947**	1,967,814	**-**	-
		118,650,003	125,634,973	**510,069**	434,651
Total liabilities		**127,797,668**	141,683,601	**510,069**	434,651
TOTAL EQUITY AND LIABILITIES		**833,101,416**	737,570,262	**274,261,542**	252,477,891

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		GROUP		COMPANY	
			(Restated)		
		2020	2019	**2020**	2019
	NOTE	**RM**	RM	**RM**	RM
Revenue	**26**	**418,773,771**	490,104,989	**9,256,196**	8,700,012
Cost of goods sold		**(279,211,559)**	(310,824,298)	**-**	-
Gross profit		**139,562,212**	179,280,691	**9,256,196**	8,700,012
Other income		**14,263,257**	18,094,641	**22,319,024**	28,333,576
Distribution costs		**(7,808,295)**	(7,203,934)	**-**	-
Administrative expenses		**(31,363,337)**	(50,025,834)	**(2,629,361)**	(3,266,130)
Other operating expenses		**(193,316)**	(328,066)	**(114,454)**	(108,005)
Operating profit		**114,460,521**	139,817,498	**28,831,405**	33,659,453
Finance costs		**(117,296)**	(186,965)	**-**	-
Share of result of an associate		**(1,202,928)**	(733,986)	**-**	-
Profit before taxation	**27**	**113,140,297**	138,896,547	**28,831,405**	33,659,453
Taxation	**28**	**(882,036)**	(7,798,604)	**-**	-
Profit for the financial year, representing total comprehensive income		**112,258,261**	131,097,943	**28,831,405**	33,659,453
Profit for the financial year, representing total comprehensive income attributable to:					
Owners of the Company		**70,885,552**	83,042,457	**28,831,405**	33,659,453
Non-controlling interests		**41,372,709**	48,055,486	**-**	-
		112,258,261	131,097,943	**28,831,405**	33,659,453
Earnings per share attributable to owners of the Company (Sen):-					
- Basic/Diluted	**29**	**9.95**	11.66		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Attributable to |--------- Owners of the Company ---------|					
			Non-distributable	Distributable			
	NOTE	Share Capital RM	Shares Held for Share Award Scheme RM	Retained Profits RM	Total RM	Non-Controlling Interests RM	Total Equity RM
2020							
Balance at beginning		**79,303,370**	**-**	**357,297,941**	**436,601,311**	**159,285,350**	**595,886,661**
Total comprehensive income for the financial year		**-**	**-**	**70,885,552**	**70,885,552**	**41,372,709**	**112,258,261**
Transactions with owners:							
Dividend paid	**30**	**-**	**-**	**(7,123,172)**	**(7,123,172)**	**-**	**(7,123,172)**
Dividend paid to non-controlling interest		**-**	**-**	**-**	**-**	**(4,793,404)**	**(4,793,404)**
Effect of changes in shareholding	**8**	**-**	**-**	**13,911,228**	**13,911,228**	**1,013,598**	**14,924,826**
Purchase of shares held for share award scheme	**18**	**-**	**(5,849,424)**	**-**	**(5,849,424)**	**-**	**(5,849,424)**
		-	**(5,849,424)**	**6,788,056**	**938,632**	**(3,779,806)**	**(2,841,174)**
Balance at end		**79,303,370**	**(5,849,424)**	**434,971,549**	**508,425,495**	**196,878,253**	**705,303,748**
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:							
Dividend 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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	NOTE	Share Capital RM	Distributable Retained Profits RM	Total Equity RM
2020				
Balance at beginning		**79,303,370**	**172,739,870**	**252,043,240**
Dividend paid	**30**	**-**	**(7,123,172)**	**(7,123,172)**
Total comprehensive income for the financial year		**-**	**28,831,405**	**28,831,405**
Balance at end		**79,303,370**	**194,448,103**	**273,751,473**
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

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	GROUP		**COMPANY**	
	2020 RM	2019 RM	**2020 RM**	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**113,140,297**	138,896,547	**28,831,405**	33,659,453
Adjustments for:				
Amortisation of intangible assets	**3,613,279**	764,770	**-**	-
Bad debts written off	**1,783**	-	**-**	-
Deferred income released	**(326,181)**	(251,820)	**-**	-
Depreciation	**4,572,982**	3,801,433	**-**	-
Expected credit loss on receivables				
- current year	**8,462,750**	3,823,630	**-**	-
- reversal	**(1,674,923)**	-	**-**	-
Gain on disposal of investment in subsidiaries	**-**	-	**(19,482,033)**	(24,223,943)
Gain on disposal of other investments	**(569,336)**	-	**-**	-
Gain on disposal of property, plant and equipment	**-**	(13,966)	**-**	-
Gain on changes in fair value of foreign currency forward contracts	**(940,269)**	(7,205,740)	**-**	-
Intangible assets written off	**15,409**	17	**-**	-
Interest expense	**117,296**	186,965	**-**	-
Interest income	**(8,727,006)**	(10,594,703)	**(2,814,604)**	(3,851,118)
Inventories written down - addition	**262,024**	2,496,684	**-**	-
- reversal	**(1,661,181)**	(434,295)	**-**	-
Loss on changes in fair value of other investments	**115,460**	-	**-**	-
Property, plant and equipment written off	**225,034**	2,846	**-**	-
Provision for warranty - current year	**647,000**	865,600	**-**	-
- reversal	**(865,600)**	(735,900)	**-**	-
Share of result of an associate	**1,202,928**	733,986	**-**	-
Unrealised loss on foreign exchange	**848,422**	2,816,692	**(7,606)**	13,684
Operating profit before working capital changes	**118,460,168**	135,152,746	**6,527,162**	5,598,076
Decrease in inventories	**27,021,184**	95,396,866	**-**	-
(Increase)/Decrease in receivables	**(62,700,889)**	(14,762,462)	**800**	80,303
Increase/(Decrease) in payables	**23,144,480**	(21,259,774)	**77,483**	16,298
Decrease in contract liabilities	**(34,087,735)**	(49,533,192)	**-**	-
Cash generated from operations	**71,837,208**	144,994,184	**6,605,445**	5,694,677
Income tax paid	**(3,851,499)**	(7,257,467)	**(126)**	(126)
Income tax refunded	**126,072**	1,122,190	**126**	252
Interest paid	**(117,296)**	(186,965)	**-**	-
Net cash from operating activities/ Balance carried forward	**67,994,485**	138,671,942	**6,605,445**	5,694,803

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Balance brought forward	**67,994,485**	138,671,942	**6,605,445**	5,694,803
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of other investments	**(13,801,503)**	-	**-**	-
Acquisition of subsidiary, net of cash acquired	**-**	(15,379,060)	**-**	-
Interest received	**8,727,006**	10,594,703	**2,814,604**	3,851,118
Investment in an associate	**(1,724,000)**	(1,750,000)	**-**	-
Investment in additional equity interest in a subsidiary	**(6,479,398)**	(31,567,571)	**(6,479,398)**	(31,567,571)
Investment in redeemable convertible preference shares of an associate	**(3,000,000)**	-	**-**	-
Net changes in related subsidiaries' balances	**-**	-	**534,036**	7,841,515
Proceeds from disposal of property, plant and equipment	**-**	24,400	**-**	-
Proceeds from disposal of other investments	**13,578,923**	-	**-**	-
Purchase of intangible assets	**(4,240,269)**	(7,674,926)	**-**	-
Purchase of investment properties	**(9,821,000)**	-	**-**	-
Purchase of property, plant and equipment	**(40,850,718)**	(14,051,045)	**-**	-
Net cash used in investing activities	**(57,610,959)**	(59,803,499)	**(3,130,758)**	(19,874,938)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of term loan	**(385,983)**	(317,653)	**-**	-
Dividend paid	**(7,123,172)**	-	**(7,123,172)**	-
Payment of finance lease liabilities	**-**	(82,206)	**-**	-
Dividend paid to non-controlling interest of a subsidiary	**(4,793,404)**	(4,737,588)	**-**	-
Proceeds from disposal of shares to non-controlling interest of a subsidiary	**21,404,224**	26,635,976	**21,404,224**	26,635,976
Purchase of shares in a subsidiary for share award scheme	**(5,849,424)**	-	**-**	-
Net cash from financing activities	**3,252,241**	21,498,529	**14,281,052**	26,635,976
NET INCREASE IN CASH AND CASH EQUIVALENTS	**13,635,767**	100,366,972	**17,755,739**	12,455,841
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**434,024**	(1,768,775)	**7,606**	(7,636)
CASH AND CASH EQUIVALENTS AT BEGINNING	**423,251,420**	324,653,223	**119,215,553**	106,767,348
CASH AND CASH EQUIVALENTS AT END	**437,321,211**	423,251,420	**136,978,898**	119,215,553

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 30 March 2021.

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 2020
Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3 Business Combinations: Definition of a Business
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform

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

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.

Effective for annual periods beginning on or after 1 June 2020
Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions

Effective for financial period beginning on or after 1 January 2021
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform – Phase 2

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

Effective for financial period beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combination: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

Effective for financial period beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 belong. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate, product life cycle and discount rate.

The carrying amount of property, plant and equipment and intangible assets are disclosed in Note 4 and Note 7 respectively. No impairment losses are provided for property, plant and equipment and intangible assets during the financial year.

(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. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. 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 ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may be different from customer's actual default in the future, such difference will impact the carrying amount of trade receivables and credit losses in the periods in which such estimate has been changed.

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) **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.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

(vi) **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.

3.2 **Associate**

An associate is an entity in which the Group has significant influence, but no control over their financial and operating policies.

In the consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.3 **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.

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 proceeds and its carrying amount is recognised in profit or loss.

3.4 **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)**

3.5 **Leases**

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.

3.5.1 **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.

3.5.1.1 **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.

3.5.1.2 **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)**

3.5 **Leases (cont'd)**

3.5.1 **Group as lessee (cont'd)**

3.5.1.3 **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of premises, 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.

3.5.2 **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.

3.6 **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.

3.7 **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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Intangible Assets (cont'd)

Project management right (cont'd)

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.

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. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.8 **Impairment of Non-Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.9 **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.

3.10 **Financial Instruments**

3.10.1 **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.

3.10.2 **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"); or
(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; and
- 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 administrative 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

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

3.10.2 **Classification and subsequent measurement of financial assets (cont'd)**

(i) **Financial assets at amortised cost ("AC") (cont'd)**

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. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(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 FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under MFRS 9 apply.

Investment in quoted shares and redeemable convertible preference shares are classified as FVTPL.

Dividends from these investments in quoted shares and redeemable convertible preference shares are recognised in profit or loss when the Group's right to receive the dividends is established. Dividends are included in the "other income" in profit or loss.

3.10.3 **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.

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.

3.10.4 **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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Financial Instruments (cont'd)

3.10.5 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 included loans and other debt-type financial assets measured at amortised cost 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.

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.

3.10.6 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. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.11 **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.

3.12 **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.

3.13 **Provision for Liabilities and Warranty Costs**

Provisions are recognised when the Group has 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.

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.

3.14 **Revenue Recognition**

Contract with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to the customer.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Revenue Recognition (cont'd)

Sale of equipment (cont'd)

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).

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.

3.14.1 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.

3.15 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 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.

Share-based employee compensation

A subsidiary of the Company operates an equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

For the share award scheme, the Group purchase its own shares through the trustee of the share award scheme from the open market for the shares to be vested under the share award scheme. The shares purchased by the Group that are not yet vested for this share award scheme were recorded as "Shares held for share award scheme" as a deduction under equity. Upon vesting of the awarded shares, the related costs of the purchased shares are reduced from the "Shares held for share award scheme", and the related fair value of the awarded shares are debited to share-based compensation reserve with the difference charged/credited to retained profits.

3.17 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.17 **Income Tax (cont'd)**

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.

3.18 **Sales and Service Tax ("SST")**

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

- where the SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the SST 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 SST inclusive.

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

The Malaysian Government has zero rated the GST effective from 1 June 2018. The GST has been replaced with SST which came into effect on 1 September 2018. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

3.19 **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. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.20 **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 and approved.

3.21 **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.

3.22 **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
2020									
At cost									
Balance at beginning	**8,705,449**	**81,818,794**	**20,167,047**	**1,860,145**	**5,837,796**	**2,705,429**	**3,720,955**	**-**	**124,815,615**
Additions	**-**	**-**	**417,090**	**15,178**	**799,297**	**-**	**73,792**	**39,545,361**	**40,850,718**
Written off	**-**	**-**	**(677,584)**	**(316,569)**	**(128,594)**	**(256,038)**	**-**	**-**	**(1,378,785)**
Reclassification	**-**	**4,144,755**	**-**	**-**	**-**	**-**	**-**	**(4,144,755)**	**-**
Balance at end	**8,705,449**	**85,963,549**	**19,906,553**	**1,558,754**	**6,508,499**	**2,449,391**	**3,794,747**	**35,400,606**	**164,287,548**
Accumulated depreciation									
Balance at beginning	**1,229,414**	**12,378,038**	**15,337,669**	**842,211**	**3,730,723**	**2,333,723**	**3,336,390**	**-**	**39,188,168**
Current charge	**145,091**	**1,446,848**	**1,113,435**	**252,571**	**1,250,601**	**51,842**	**211,079**	**-**	**4,471,467**
Written off	**-**	**-**	**(658,704)**	**(306,628)**	**(126,087)**	**(62,332)**	**-**	**-**	**(1,153,751)**
Balance at end	**1,374,505**	**13,824,886**	**15,792,400**	**788,154**	**4,855,237**	**2,323,233**	**3,547,469**	**-**	**42,505,884**
Carrying amount	**7,330,944**	**72,138,663**	**4,114,153**	**770,600**	**1,653,262**	**126,158**	**247,278**	**35,400,606**	**121,781,664**
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 subisidiary	-	-	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

The Group's finance lease which comprise of leasehold land meets the definition of right-of-use assets. However, the Group elected not to disclosed the right-of-use assets seperately. Instead, they continue to be recognised under property, plant and equipment as though these assets are owned.

4. **PROPERTY, PLANT AND EQUIPMENT (cont'd)**

COMPANY

	Computers	
	2020	2019
	RM	RM
At cost	**3,150**	3,150
Accumulated depreciation	**3,149**	3,149
Carrying amount	**1**	1

GROUP

The carrying amount of leasehold land amounting to **RM4,827,409** (2019: RM4,911,001) is charged to a licensed bank as security for banking facility granted to a subsidiary.

5. **INVESTMENT PROPERTIES**

	Leasehold commercial shops	
	2020	2019
	RM	RM
At cost		
Balance at beginning	**10,050,000**	10,050,000
Additions	**9,821,000**	-
Balance at end	**19,871,000**	10,050,000
Accumulated depreciation		
Balance at beginning	**101,515**	-
Current charge	**101,515**	101,515
Balance at end	**203,030**	101,515
Carrying amount	**19,667,970**	9,948,485

(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.

5. **INVESTMENT PROPERTIES (cont'd)**

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

	2020	2019
	RM	RM
Fair value hierarchy		
Level 2	**19,879,000**	10,053,000

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	
	2020	2019
	RM	RM
Goodwill arising from acquisition of subsidiary	**4,495,368**	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.

No impairment loss was required for the goodwill as its recoverable amount is in excess of its carrying amount.

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

	2020	2019
Average growth rates	**7%**	4%
Discount rates	**16%**	16%

The management believes that no reasonably possible changes in any key assumptions would cause the recoverable amount of the CGU to differ materially from its carrying amount except for changes in prevailing operating environment which is not ascertainable.

7. INTANGIBLE ASSETS

	GROUP	
	2020	2019
	RM	RM
Property management right (Note 7.1)	**-**	-
Development expenditure (Note 7.2)	**19,317,994**	16,571,585
Computer software acquired (Note 7.3)	**1,239,674**	1,135,202
Technical know-how (Note 7.4)	**20,153,700**	22,393,000
	40,711,368	40,099,787

7.1 Project management right

	GROUP	
	2020	2019
	RM	RM
At cost	**9,000,000**	9,000,000
Accumulated amortisation	**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	
	2020	2019
	RM	RM
At cost		
Balance at beginning	**35,817,884**	28,617,399
Additions	**3,265,394**	7,200,485
Balance at end	**39,083,278**	35,817,884
Accumulated amortisation		
Balance at beginning	**15,656,299**	15,656,299
Current charge	**518,985**	-
Balance at end	**16,175,284**	15,656,299
Impairment loss	**3,590,000**	3,590,000
Carrying amount	**19,317,994**	16,571,585

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	
	2020	2019
	RM	RM
At cost		
Balance at beginning	**4,917,221**	4,934,209
Additions	**974,875**	474,441
Written off	**(2,340,514)**	(491,429)
Balance at end	**3,551,582**	4,917,221
Accumulated amortisation		
Balance at beginning	**3,782,019**	3,508,661
Current charge	**854,994**	764,770
Written off	**(2,325,105)**	(491,412)
Balance at end	**2,311,908**	3,782,019
Carrying amount	**1,239,674**	1,135,202

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	
	2020	2019
	RM	RM
At cost		
Balance at beginning	**22,393,000**	-
Acquisition of a subsidiary	**-**	22,393,000
At cost	**22,393,000**	22,393,000
Accumulated amortisation		
Current charge/Balance at end	**2,239,300**	-
Carrying amount	**20,153,700**	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 was 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 2020 RM	COMPANY 2019 RM
Unquoted shares, at cost	**6,280,000**	6,280,000
Quoted shares, at cost		
Balance at beginning	**91,375,192**	62,219,654
Additions	**6,479,398**	31,567,571
Disposals	**(1,922,191)**	(2,412,033)
Balance at end	**95,932,399**	91,375,192
	102,212,399	97,655,192

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

	Name of Company	Effective Equity Interest 2020	Effective Equity Interest 2019	Principal Activities
	Direct			
#	Pentamaster International Limited ("PIL") (Incorporated in Cayman Islands)	**63.1%**	63.7%	Investment holding.
	Pentamaster Smart Solution Sdn. Bhd. ("PSS")	**100%**	100%	Designing and manufacturing of smart control solution systems.
	Origo Ventures (M) Sdn. Bhd. ("OV")	**100%**	100%	Property project management activities.
	Indirect – held through Pentamaster International Limited			
	Pentamaster Technology (M) Sdn. Bhd. ("PT")	**100%**	100%	Design, manufacturing and installation of computerised automation systems and equipment. PT's branch office in Singapore is principally involved in the manufacture and repair of semiconductor assembly and testing equipment (including computer burn-in-system).
	Pentamaster Equipment Manufacturing Sdn. Bhd. ("PQ")	**100%**	100%	Equipment design and manufacturing services and manufacturing of high precision machine parts.
	Pentamaster Instrumentation Sdn. Bhd. ("PU")	**100%**	100%	Designing and manufacturing of automated testing equipment and test and measurement system.
	Pentamaster MediQ Sdn. Bhd. ("PD")	**100%**	-	Designing and manufacturing of single-use medical devices, medical equipment and related instruments.

8. **INVESTMENT IN SUBSIDIARIES (cont'd)**

(i) Details of the subsidiaries, all of which were incorporated and their principal place of business are in Malaysia, except where indicated are as follows: (cont'd)

Name of Company	Effective Equity Interest		Principal Activities
	2020	2019	
Indirect – held through Pentamaster Equipment Manufacturing Sdn. Bhd.			
TP Concept Sdn. Bhd. ("TP")	**100%**	100%	Manufacturing and assembling of medical machines and manufacturing of die casting parts.
* Pentamaster Equipment Manufacturing, Inc. ("PEMI") (Incorporated and principal place of business is in California, the United States of America)	**100%**	100%	Providing of sales and support services.

\# *Listed on the Main Board of The Stock Exchange of Hong Kong Limited. Audited by a member firm of Grant Thornton International Limited.*

* *Not audited by Grant Thornton Malaysia PLT.*

(ii) **Controlled structured entity**

The Group controls a structured entity, particulars of which are as follows:

Name of structured entity	Effective Equity Interest		Principal activities
	2020	2019	
Indirect – held through Pentamaster International Limited			
PIL – Pekerja SS Limited ("PILPSS") (Incorporated in the British Virgin Islands)	**100%**	-	Purchases, administers and holds the shares of PIL for the share award scheme for the benefit of the Group's eligible employees.

PILPSS is newly incorporated during the year for the purpose of purchasing, administering and holding the ordinary shares of PIL for the share award scheme implemented by PIL. The Group has the power to direct the relevant activities of PILPSS and it has the ability to use its power over PILPSS to affect its exposure to returns. Therefore, the assets and liabilities of PILPSS are included in the Group's statements of financial position and PIL's ordinary shares that the Group held are presented as a deduction in equity as shares held for share award scheme.

8. **INVESTMENT IN SUBSIDIARIES (cont'd)**

(iii) **Investment in PIL**

In 2020, the Company acquired 10,400,000 ordinary shares of HKD 0.01 each in PIL for a consideration of RM6,479,398 and disposed of 20,228,000 ordinary shares of HKD0.01 each in PIL for a consideration of RM21,404,224. The Company's equity interest in PIL was decreased to 63.1%.

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

(iv) **Incorporation of PD**

On 6 July 2020, PIL, a subsidiary of the Company had incorporated a wholly-owned subsidiary, PD in Malaysia with an issued and paid-up share capital of RM2 comprising of 2 ordinary shares.

On 21 September 2020, PIL increased its investment in PD by RM1,799,998 to RM1,800,000 through the subscription of an additional 1,799,998 new ordinary shares of an issue price of RM1 per share.

(v) **Acquisition of TP**

On 27 September 2019, an indirectly wholly-owned subsidiary of the Company, 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

The selling shareholders of TP jointly and severally warrant that the aggregate profit after tax in respect of TP for year ended 31 March 2020 ("FYE2020") and year ending 31 March 2021 ("FYE2021") ("Aggregate PAT") should not be less than RM12,000,000. In the event that the aggregate profit guarantee is not achieved, the selling shareholders will be liable to pay for the shortfall. #

The fair value of the contingent consideration receivable arising from the profit guarantee is not recognised as it is insignificant.

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

	RM
Cash consideration	9,000,000
Deferred cash consideration (Note 22)	11,393,240
Total fair value of consideration transferred	20,393,240

8. **INVESTMENT IN SUBSIDIARIES (cont'd)**

(v) **Acquisition of TP (cont'd)**

The following were the carrying amount of the assets and liabilities which was 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 20)	(2,035,845)
Deferred tax liabilities (Note 21)	(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)

On 25 February 2021, the Group had entered into a supplemental share sale agreement with regards to the profit guarantee. Details of the supplemental share sale agreement are disclosed in Note 38 to the financial statements.

8. INVESTMENT IN SUBSIDIARIES (cont'd)

(vi) 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	
	2020	2019
	RM	RM
NCI percentage of ownership interest and voting interest	**36.9%**	36.3%
Carrying amount of NCI	**196,878,253**	159,285,350
Profit allocated to NCI	**41,372,709**	48,055,486
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	**176,490,513**	146,567,867
Current assets	**482,785,995**	431,790,516
Non-current liabilities	**(6,582,741)**	(13,044,172)
Current liabilities	**(119,148,369)**	(126,390,676)
Net assets	**533,545,398**	438,923,535
Financial year ended 31 December		
Revenue	**418,580,888**	487,088,426
Profit after tax, representing total comprehensive income for the financial year	**113,920,888**	131,383,114
Summary of cash flows for the financial year ended 31 December		
Net cash from operating activities	**59,696,890**	141,380,245
Net cash used in investing activities	**(44,115,345)**	(31,977,364)
Net cash used in financing activities	**(19,683,481)**	(21,397,540)
Net cash (outflow)/inflow for the financial year	**(4,101,936)**	88,005,341

9. INVESTMENT IN AN ASSOCIATE

	GROUP	
	2020	2019
	RM	RM
Unquoted shares, at cost	**6,624,000**	4,900,000
Share of post-acquisition reserves	**(2,040,760)**	(837,832)
	4,583,240	4,062,168
Investment in redeemable convertible preference shares ("RCPS")	**3,000,000**	-
	7,583,240	4,062,168

9. **INVESTMENT IN AN ASSOCIATE (CONT'D)**

Details of the associate which is incorporated and its principal place of business is in Malaysia are as follows:

	Name of Company	Effective Equity Interest 2020	2019	Principal Activities
	Direct			
#	Penang Automation Cluster Sdn. Bhd. ("PAC")	**40%**	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 Malaysia PLT.*

2020

In 2020, Pentamaster Technology (M) Sdn. Bhd. ("PT"), a subsidiary of the Company increased its investment in PAC by RM1,724,000 through the subscription of an additional 1,724,000 new ordinary shares. The increase in investment had resulted in an increase of 5% ownership of PT in PAC. PT had also invested a total RM3,000,000 in consideration for the allotment of 3,000,000 RCPS at an issue price of RM1 per RCPS.

2019

PT 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.

	2020 RM	2019 RM
Summarised financial information		
As at 31 December		
Non-current assets	**40,395,658**	41,070,301
Current assets	**8,605,354**	1,990,402
Non-current liabilities	**(914,753)**	-
Current liabilities	**(30,852,540)**	(31,461,011)
Non-controlling interests	**(276,623)**	-
Net assets attributable to owners	**16,957,096**	11,599,692
Year ended 31 December		
Net loss, representing total comprehensive lossattributable to owners	**(3,202,596)**	(2,097,107)
Included in total comprehensive loss above are the following:		
Revenue	**5,115,333**	343,813
Other income	**266,970**	60,785
Operating expenses	**(8,711,950)**	(2,457,984)
Taxation	**43,644**	(43,721)
Loss for the financial year, attributable to non-controlling interests	**83,407**	-

9. INVESTMENT IN AN ASSOCIATE (CONT'D)

	2020 RM	2019 RM
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets (excluding RCPS issued by PAC)	**4,382,838**	4,059,893
Goodwill	**200,402**	2,275
Carrying amount in the statements of financial position	**4,583,240**	4,062,168
Group's share of results for the financial year ended 31 December		
Group's share of loss	**(1,202,928)**	(733,986)
Contractual commitments		
Purchase of property, plant and equipment	**17,952,000**	129,000

Investment in RCPS of PAC

The salient features of the RCPS of the associate are as follows:

(i) The RCPS is convertible at the option of issuer at the issue price of RM1 per RCPS at any time after the issuance date, i.e. 29 December 2020 and up to maturity date, i.e. 28 December 2030;

(ii) The RCPS holders shall be paid a non-cumulative preferential dividend at the rate of 1.5% per annum based on issue price subject always to PAC achieving profit after tax of RM2,000,000 as stated in its audited accounts for that particular financial year end;

(iii) The RCPS do not confer any voting rights unless converted into ordinary shares; and

(iv) In the event of liquidation, the RCPS shall rank in priority to the ordinary shares of PAC.

As the rights and obligations of the ownership over RCPS is different from the ownership of ordinary shares of PAC, the Group's investment in RCPS is accounted for in accordance with MFRS 9 and measured at FVTPL.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Other receivables [i]	**6,587,791**	16,662,019	**-**	-
Refundable deposits	**12,313,811**	23,202,566	**1,000**	2,200
Non-refundable deposits [ii]	**1,533,342**	1,737,291	**-**	-
Prepayments	**402,295**	497,243	**6,705**	6,305
GST claimable	**-**	387,653	**-**	-
	20,837,239	42,486,772	**7,705**	8,505
Less : Non-current portion Refundable deposits				
- Potential investment [iii]	**(10,608,703)**	(10,608,703)	**-**	-
- Purchase of equipment	**-**	(10,851,485)	**-**	-
	(10,608,703)	(21,460,188)	**-**	-
Current portion	**10,228,536**	21,026,584	**7,705**	8,505

GROUP

(i) Included in other receivables is an amount of **RM6,559,561** (2019: RM16,642,019) 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	
	2020	2019
	RM	RM
Raw materials	**2,938,369**	2,355,978
Work-in-progress	**28,700,441**	56,459,104
Finished goods	**2,197,051**	642,806
At carrying amount	**33,835,861**	59,457,888
Recognised in profit or loss:		
Inventories recognised as cost of sales	**280,610,716**	308,761,909
Write-down to net realisable value		
- Addition	**262,024**	2,496,684
- Reversal	**(1,661,181)**	(434,295)

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	
	2020	2019
	RM	RM
Trade receivables	**152,239,139**	69,423,561
Less: Allowance for expected credit losses		
Balance at beginning	**(3,823,630)**	-
Current year	**(8,462,750)**	(3,823,630)
Reversal	**1,674,923**	-
Balance at end	**(10,611,457)**	(3,823,630)
	141,627,682	65,599,931

(i) The normal credit terms granted to trade receivables range from **30 to 120 days** (2019: 14 to 120 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 **RM430,000** (2019: RM436,432) being retention sum relating to an ongoing smart building solutions project.

(b) an amount of **RM1,280,390** (2019: RM1,290,000) due from a related party, MDSB.

13. **TRADE RECEIVABLES (cont'd)**

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

	GROUP	
	2020	2019
	RM	RM
Ringgit Malaysia	**18,122,783**	12,371,410
Chinese Renminbi	**9,866,093**	7,178,709
Euro	**294,086**	-
US Dollar	**113,055,932**	45,737,067
Singapore Dollar	**288,788**	312,745
	141,627,682	65,599,931

14. **DERIVATIVE FINANCIAL ASSETS**

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	
	2020	2019
	RM	RM
Derivatives at fair value through profit or loss		
- Foreign currency forward contracts		
Notional value of contracts	**70,187,830**	90,691,200
Assets	**3,335,637**	2,395,368

15. **OTHER INVESTMENTS**

	GROUP	
	2020	2019
	RM	RM
Fair value through profit or loss		
Quoted shares	**426,456**	-
At amortised cost		
Promissory note	**250,000**	-
	676,456	-

Fair value of the quoted shares is determined by reference to published price quoted in an active market.

The promissory note has a fixed interest rate of 6.40% and will mature on 21 September 2021. The Group receives related interest payments on four equal quarterly instalments.

The carrying values of the Group's promissory note is considered to be a reasonable approximation of fair value.

16. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Cash and bank balances	**66,747,356**	96,377,422	**1,038,693**	1,183,494
Short-term investments	**370,573,855**	326,873,998	**135,940,206**	118,032,059
	437,321,211	423,251,420	**136,978,899**	119,215,553

(i) The effective interest rate for the short-term investments is **1.80% to 2.41%** (2019: 3.12% to 3.52%) per annum and can be redeemed at any time upon notice 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.

(ii) The currency profile of cash and cash equivalents is as follows:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Ringgit Malaysia	**408,277,835**	380,476,954	**136,977,855**	118,630,259
US Dollar	**7,750,458**	5,121,913	**-**	-
Hong Kong Dollar	**19,624,089**	37,018,202	**1,044**	585,294
Chinese Renminbi	**543,658**	283,797	**-**	-
Euro	**450,636**	32,972	**-**	-
Singapore Dollar	**623,820**	296,823	**-**	-
Others	**50,715**	20,759	**-**	-
	437,321,211	423,251,420	**136,978,899**	119,215,553

17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2020	2019	**2020**	2019
			RM	RM
Issued and fully paid with no par value:				
Balance at beginning	**474,878,099**	316,585,424	**79,303,370**	79,303,370
Bonus Issue	**237,439,022**	158,292,675	**-**	-
Balance at end	**712,317,121**	474,878,099	**79,303,370**	79,303,370

2020

During the financial year, the Company issued 237,439,022 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 6 August 2020 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. SHARE CAPITAL (cont'd)

2019

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.

18. SHARES HELD FOR SHARE AWARD SCHEME

Pentamaster International Limited ("PIL"), a foreign listed subsidiary of the Company had on 1 April 2020 adopted a share award scheme to recognise contributions of employees within the PIL Group (comprising of PIL and its subsidiaries) and to incentivise these employees to achieve the long-term business goals and objectives of PIL.

The share award scheme is administered by a trust as disclosed in Note 8 (ii) to the financial statements. The share award scheme is valid and effective for a term of 10 years commencing on its adoption date (i.e. 1 April 2020). The maximum number of ordinary shares to be subscribed for and/or purchased by the trust for the purpose of the share award scheme during each calendar year shall not exceed 5% of the total number of issued ordinary shares as at beginning of such calendar year. The maximum number of ordinary shares which may be awarded to a selected employee under the share award scheme shall not exceed 1% of the total number of issued ordinary shares of PIL from time to time.

During the financial year ended 31 December 2020, the trust acquired 5,880,000 of PIL's ordinary shares from the open market for a total cash consideration of RM5,849,424. The ordinary shares acquired are recognised as an equity instrument in the consolidated financial position of the Group. No shares have been granted to eligible employees under the share award scheme during the financial year.

19. 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.

20. DEFERRED INCOME

	GROUP	
	2020	2019
	RM	RM
Balance at beginning	**2,072,034**	288,009
Acquisition of a subsidiary	**-**	2,035,845
Released to profit or loss	**(326,181)**	(251,820)
Balance at end	**1,745,853**	2,072,034

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.

21. DEFERRED TAX LIABILITIES

The deferred tax liabilities arising from fair value adjustment on business combination during the year is as follows:

	GROUP	
	2020	2019
	RM	RM
Balance at beginning	**5,374,320**	-
Acquisition of a subsidiary	**-**	5,374,320
Released in profit or loss	**(537,432)**	-
Balance at end	**4,836,888**	5,374,320

22. OTHER PAYABLES, ACCRUALS AND PROVISION

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Other payables	**3,205,276**	1,774,141	**54,258**	15,968
Amount due to former shareholders of a subsidiary[(i)]	**5,500,000**	5,500,000	**-**	-
Deferred cash consideration [(ii)]	**11,393,240**	11,393,240	**-**	-
Accruals	**17,140,704**	26,783,946	**455,811**	416,618
SST payable	**3,722**	-	**-**	-
Provision for warranty	**647,000**	865,600	**-**	-
	37,889,942	46,316,927	**510,069**	432,586
Less: non-current portion				
Deferred cash consideration [(ii)]	**-**	(5,597,818)	**-**	-
Current portion	**37,889,942**	40,719,109	**510,069**	432,586

(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.

22. **OTHER PAYABLES, ACCRUALS AND PROVISION (cont'd)**

(ii) Deferred cash consideration arose as part of the purchase consideration to satisfy the acquisition of a subsidiary, TP Concept Sdn. Bhd. ("TP"). 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.

The deferred cash consideration has not been materialised as the profit guarantee period has been extended following a supplemental share sale agreement entered with the former shareholders of TP on 25 February 2021. Details of the agreement are set out in Note 38 to the financial statements.

23. **BORROWINGS**

	GROUP	
	2020 RM	2019 RM
Non-current liabilities		
Term loan		
Total amount repayable	**2,976,173**	3,362,156
Amount due within one year included under current liabilities	**(411,249)**	(357,700)
	2,564,924	3,004,456
Current liabilities		
Term loan	**411,249**	357,700
Total borrowings	**2,976,173**	3,362,156

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
2020						
Term loan	**3.30**	**2,976,173**	**411,249**	**425,028**	**1,362,448**	**777,448**
2019						
Term loan	4.55	3,362,156	357,700	374,319	1,230,575	1,399,562

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.

24. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2020	2019
	RM	RM
Ringgit Malaysia	**47,313,347**	30,757,483
US Dollar	**15,467,934**	2,015,602
Singapore Dollar	**744,501**	183,731
Euro	**287,212**	20,375
Japanese Yen	**279,174**	649
Chinese Renminbi	**33,131**	53,906
Others	**8,697**	-
	64,133,996	33,031,746

The normal credit terms granted by trade payables range from **14 to 150 days** (2019: 30 to 150 days).

Included in trade payables is an amount of **RM118,792** (2019: RM87,454) due to the Group's associate.

25. CONTRACT LIABILITIES

GROUP

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 **RM49,034,955** (2019: RM82,892,322) have been recognised as revenue during the year.

26. REVENUE

26.1 Disaggregation of revenue from contracts with customer

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Types of goods or services				
Sale of equipment				
- Automated test equipment	**282,958,019**	422,488,627	**-**	-
- Factory automation solutions	**135,622,869**	64,599,799	**-**	-
- Smart control solution system	**192,883**	3,016,563	**-**	-
Dividend income received from a subsidiary	**-**	-	**8,656,196**	8,100,012
Management fee	**-**	-	**600,000**	600,000
Total revenue from contracts with customer	**418,773,771**	490,104,989	**9,256,196**	8,700,012
Geographical markets				
People's Republic of China ("PRC") (including Hong Kong)	**112,672,825**	39,622,831	**8,656,196**	8,100,012
Singapore	**79,766,463**	257,512,130	**-**	-
USA	**52,491,530**	9,320,222	**-**	-
Malaysia	**49,904,007**	28,937,828	**600,000**	600,000
Taiwan	**49,256,528**	68,670,445	**-**	-
Japan	**39,793,682**	31,025,777	**-**	-
Republic of Ireland	**8,771,665**	18,653,065	**-**	-
Korea	**5,768,044**	399,301	**-**	-
Germany	**5,459,406**	8,126,008	**-**	-
Philippines	**4,796,093**	18,204,479	**-**	-
Others	**10,093,528**	9,632,903	**-**	-
Total revenue from contracts with customer	**418,773,771**	490,104,989	**9,256,196**	8,700,012
Timing of revenue recognition				
At a point in time	**418,773,771**	490,104,989	**8,656,196**	8,100,012
Over time	**-**	-	**600,000**	600,000
Total revenue from contracts with customer	**418,773,771**	490,104,989	**9,256,196**	8,700,012

26.2 Performance obligations

The performance obligations of the Group and of the Company for each type of goods/services have been disclosed in Notes 3.14 to the financial statements.

27. PROFIT BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
After charging:				
Amortisation of intangible assets:				
- computer software	**854,994**	764,770	**-**	-
- development expenditure	**518,985**	-	**-**	-
- technical know-how	**2,239,300**	-	**-**	-
Auditors' remuneration				
- Company's auditors:				
- statutory audit	**302,092**	301,804	**52,000**	50,000
- other services	**17,000**	40,000	**3,000**	3,000
- Other auditors:				
- statutory audit	**243,206**	238,059	**-**	-
Bad debts written off	**1,783**	-	**-**	-
Depreciation:				
- property, plant and equipment	**4,471,467**	3,699,918	**-**	-
- investment properties	**101,515**	101,515	**-**	-
Directors' fees				
- Directors of the Company				
• executive directors	**26,400**	24,000	**26,400**	24,000
• non-executive directors	**342,299**	307,462	**184,800**	168,000
- Director of a subsidiary				
• executive directors	**42,954**	38,035	**-**	-
• non-executive directors	**236,248**	209,194	**-**	-
Expected credit loss on receivables				
- current year	**8,462,750**	3,823,630	**-**	-
- reversal	**(1,674,923)**	-	**-**	-
Intangible assets written off	**15,409**	17	**-**	-
Interest expense	**117,296**	186,965	**-**	-
Inventories written down to net realisable value				
- addition	**262,024**	2,496,684	**-**	-
- reversal	**(1,661,181)**	(434,295)	**-**	-
Loss on changes in fair value of other investments	**115,460**	-	**-**	-
Net loss on foreign exchange				
- realised	**-**	2,308,416	**-**	-
- unrealised	**848,422**	2,816,692	**-**	13,684
Property, plant and equipment written off	**225,034**	2,846	**-**	-
Provision for warranty				
- current year	**647,000**	865,600	**-**	-
- reversal	**(865,600)**	(735,900)	**-**	-
Rental of hostel	**776,437**	783,164	**-**	-
Rental of office	**89,897**	88,901	**-**	-
Rental of plant and equipment	**31,023**	30,020	**-**	-
Rental of premises	**178,500**	64,500	**35,052**	35,844
* Staff cost	**54,133,988**	65,747,136	**1,115,723**	1,510,856

27. **PROFIT BEFORE TAXATION (cont'd)**

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
After crediting:				
Deferred income released	**326,181**	251,820	**-**	-
Dividend income	**-**	-	**8,656,196**	8,100,012
Gain on changes in fair value of foreign currency forward contracts	**940,269**	7,205,740	**-**	-
Gain on disposal of other investments	**569,336**	-	**-**	-
Gain on disposal of property, plant and equipment	**-**	13,966	**-**	-
Gain on disposal of investment in subsidiaries	**-**	-	**19,482,033**	24,223,943
Interest income	**8,727,006**	10,594,703	**2,814,604**	3,851,118
Net gain on foreign exchange				
- realised	**2,802,697**	-	**14,659**	258,514
- unrealised	**-**	-	**7,606**	-
Rental income	**55,669**	-	**-**	-

* **Staff costs**				
- Salaries, allowances, bonus, incentive and overtime	**47,139,543**	59,361,501	**994,591**	1,316,638
- EPF	**6,353,438**	5,612,330	**117,845**	191,570
- EIS	**48,165**	42,336	**277**	182
- SOCSO	**592,842**	730,969	**3,010**	2,466
	54,133,988	65,747,136	**1,115,723**	1,510,856

Included in the staff costs are Directors' emoluments as shown below:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	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
Non-executive:				
- Salaries, allowances and bonus	**1,972,357**	3,056,877	**17,000**	470,000
- EPF	**400,400**	459,100	**-**	90,000
	2,372,757	3,515,977	**17,000**	560,000
- Benefits-in-kind	**28,000**	28,000	**-**	-
	2,400,757	3,543,977	**17,000**	560,000
	3,050,357	4,193,577	**666,600**	1,209,600

27. PROFIT BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Represented by:				
Present directors				
- Executive	**649,600**	649,600	**649,600**	649,600
- Non-executive	**2,400,757**	3,543,977	**17,000**	560,000
	3,050,357	4,193,577	**666,600**	1,209,600
Directors of subsidiaries:				
Executive:				
- Salaries, allowances and bonus	**1,040,702**	1,074,925	**-**	-
- EPF	**188,166**	176,817	**-**	-
	1,228,868	1,251,742	**-**	-
Non-executive:				
- Allowances	**14,990**	13,705	**-**	-
	1,243,858	1,265,447	**-**	-

28. TAXATION

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Malaysia income tax:				
Based on results for the financial year				
- Current tax	**(4,112,873)**	(7,741,734)	-	-
- Deferred tax relating to the origination and reversal of temporary differences	**537,432**	-	**-**	-
	(3,575,441)	(7,741,734)	-	-
Over/(Under) provision of current tax in prior year	**2,693,405**	(56,870)	**-**	-
	(882,036)	(7,798,604)	**-**	-

28. TAXATION (cont'd)

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Profit before taxation	**113,140,297**	138,896,547	**28,831,405**	33,659,453
Share of result of associate	**1,202,928**	733,986	**-**	-
	114,343,225	139,630,533	**28,831,405**	33,659,453
Income tax at Malaysian statutory tax rate of 24%	**(27,442,374)**	(33,511,328)	**(6,919,537)**	(8,078,269)
Income not subject to tax	**1,652,346**	2,457,286	**7,427,131**	8,676,323
Effect of difference tax rates in foreign jurisdiction	**1,495**	29,711	**-**	-
Exempt pioneer income(i)	**24,628,338**	24,568,908	**-**	-
Expenses not deductible for tax purposes	**(1,865,678)**	(3,792,311)	**(341,594)**	(342,054)
Deferred tax movement not recognised	**(1,464,000)**	1,936,000	**(166,000)**	(5,000)
Utilisation of unabsorbed tax losses and capital allowances	**377,000**	570,000	**-**	(251,000)
Annual crystallisation of deferred tax on technical know-how	**537,432**	-	**-**	-
	(3,575,441)	(7,741,734)	**-**	-
Over/(Under) provision of current tax in prior year	**2,693,405**	(56,870)	**-**	-
	(882,036)	(7,798,604)	**-**	-

(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.

28. **TAXATION (cont'd)**

(ii) As at the end of the reporting period, the Group's and the Company's deferred tax position are as follows:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Deferred tax recognised:				
Property, plant and equipment	**4,196,000**	4,138,000	**-**	-
Unabsorbed capital allowances	**(66,000)**	(19,000)	**-**	-
Unabsorbed tax losses	**(4,130,000)**	(4,119,000)	**-**	-
	-	-	**-**	-
Deferred tax assets not recognised:				
Unabsorbed capital allowances	**-**	-	**(14,000)**	(14,000)
Unabsorbed tax losses	**(450,000)**	(408,000)	**(1,759,000)**	(1,591,000)
Others	**(4,334,000)**	(3,289,000)	**(2,000)**	(4,000)
	(4,784,000)	(3,697,000)	**(1,775,000)**	(1,609,000)

(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	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Unabsorbed capital allowances	**(276,000)**	(80,000)	**(59,000)**	(59,000)
Unabsorbed tax losses	**(19,083,000)**	(18,862,000)	**(7,329,000)**	(6,629,000)
	(19,359,000)	(18,942,000)	**(7,388,000)**	(6,688,000)

The unabsorbed tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment (unabsorbed 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	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
YA 2027	**(1,796,000)**	-	**(700,000)**	-
YA 2026	**(2,036,000)**	(2,036,000)	**(1,161,000)**	(1,161,000)
YA 2025	**(15,251,000)**	(16,826,000)	**(5,468,000)**	(5,468,000)
	(19,083,000)	(18,862,000)	**(7,329,000)**	(6,629,000)

29. 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:

	2020	2019
Profit attributable to owners of the Company (RM)	**70,885,552**	83,042,457
Weighted average number of ordinary shares	**712,317,121**	712,317,121*
Basic earnings per share (sen)	**9.95**	11.66*

* As the bonus issue occurred in the financial year ended 31 December 2020, it is treated as if it had occurred before the beginning of 2019, 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.

30. DIVIDEND

	COMPANY	
	2020	2019
	RM	RM
In respect of financial year ended 31 December 2019:		
- A single tier dividend of 1.5 sen per ordinary share declared on 27 February 2020 and paid on 21 August 2020	**7,123,172**	-

31. RELATED PARTY DISCLOSURES

(i) Related party transactions

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Purchases from associate	**(695,806)**	(186,023)	**-**	-
Transactions with subsidiaries:				
- Management fee income	**-**	-	**600,000**	600,000
- Dividend income	**-**	-	**8,656,196**	8,100,012
- Rental expenses	**-**	-	**(35,052)**	(35,844)

(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	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Employees' salaries, allowances and bonus	**8,102,608**	8,813,841	**597,000**	1,050,000
Post-employment benefits:				
- EPF	**1,243,687**	1,175,173	**69,600**	159,600
	9,346,295	9,989,014	**666,600**	1,209,600
- Benefits-in-kind	**28,000**	28,000	**-**	-
	9,374,295	10,017,014	**666,600**	1,209,600
Analysed as:				
- Directors	**4,294,215**	5,431,024	**666,600**	1,209,600
- Other key management personnel	**5,080,080**	4,585,990	**-**	-
	9,374,295	10,017,014	**666,600**	1,209,600

32. CAPITAL COMMITMENT

	GROUP	
	2020	2019
	RM	RM
Contracted but not provided for: -		
- Construction of building	**-**	5,814,909
- Purchase of property, plant and equipment	**705,975**	6,161,499
- Investment in an associate	**15,000,000**	-

33. 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
  - Designing, development and manufacturing of standard and non-standard automated equipment.

- Factory Automation Solutions
  - 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 Board of 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.

33. 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
2020						
Revenue						
External customers	282,958,019	135,622,869	192,883			418,773,771
Inter-segment revenue	9,427,560	2,688,067	5,000	(12,120,627)	A	-
Total revenue	292,385,579	138,310,936	197,883			418,773,771
Results						
Segment results	95,187,791	17,913,767	(2,356,773)	(5,011,270)		105,733,515
Interest income	5,721,426	182,741	560	2,822,279		8,727,006
Interest expense	(117,296)	-	-			(117,296)
Share of associate's loss	-	-	-	(1,202,928)		(1,202,928)
Profit before taxation	100,791,921	18,096,508	(2,356,213)			113,140,297
Taxation	(1,394,420)	511,974	410			(882,036)
Profit for the financial year	99,397,501	18,608,482	(2,355,803)			112,258,261
Assets						
Segment assets	262,577,832	103,809,578	36,767,418	(9,278,799)		393,876,029
Tax recoverable	1,131,815	70,100	25,695	110		1,227,720
Other investments	-	-	-	676,456		676,456
Cash and cash equivalents	258,720,585	20,248,267	62,670	158,289,689		437,321,211
Total assets	522,430,232	124,127,945	36,855,783			833,101,416
Liabilities						
Segment liabilities	91,020,684	74,961,240	36,625,342	(83,366,606)		119,240,660
Borrowings	2,976,173	-	-			2,976,173
Deferred tax liabilities	-	4,836,888	-			4,836,888
Tax payable	743,947	-	-			743,947
Total liabilities	94,740,804	79,798,128	36,625,342			127,797,668
Other information						
Addition to non-current assets	43,799,410	1,225,177	9,831,384	4,780,016	B	59,635,987
Depreciation and amortisation	4,043,557	3,543,264	599,158	282		8,186,261
Non-cash items other than depreciation and amortisation	490,723	4,392,689	646,128	213,780	C	5,743,320

33. 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

33. 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	
	2020	2019
	RM	RM
Bad debts written off	**1,783**	-
Deferred income released	**(326,181)**	(251,820)
Expected credit loss on receivables - current year	**8,462,750**	3,823,630
- reversal	**(1,674,923)**	-
Gain on changes in fair value of foreign currency forward contracts	**(940,269)**	(7,205,740)
Gain on disposal of other investments	**(569,336)**	-
Gain on disposal of property, plant and equipment	**-**	(13,966)
Intangible assets written off	**15,409**	17
Inventories written down - addition	**262,024**	2,496,684
- reversal	**(1,661,181)**	(434,295)
Loss on changes in fair value of other investments	**115,460**	-
Property, plant and equipment written off	**225,034**	2,846
Provision for warranty - addition	**647,000**	865,600
- reversal	**(865,600)**	(735,900)
Share of result of an associate	**1,202,928**	733,986
Unrealised loss on foreign exchange	**848,422**	2,816,692
	5,743,320	2,097,734

33. **SEGMENTAL INFORMATION (cont'd)**

(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	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
PRC (including Hong Kong)	**112,672,825**	39,622,831	**-**	-
Singapore	**79,766,463**	257,512,130	**-**	-
USA	**52,491,530**	9,320,222	**-**	-
Malaysia	**49,904,007**	28,937,828	**194,239,610**	144,233,255
Taiwan	**49,256,528**	68,670,445	**-**	-
Japan	**39,793,682**	31,025,777	**-**	-
Republic of Ireland	**8,771,665**	18,653,065	**-**	-
Korea	**5,768,044**	399,301	**-**	-
Germany	**5,459,406**	8,126,008	**-**	-
Philippines	**4,796,093**	18,204,479	**-**	-
Others	**10,093,528**	9,632,903	**-**	-
	418,773,771	490,104,989	**194,239,610**	144,233,255

(iii) **Information about major customers**

The followings are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2020	2019	
	RM	RM	
All common control companies of:			
Customer A	**78,903,314**	256,121,775	**ATE*, FAS#**
Customer B	**-**	50,886,474	**ATE***
	78,903,314	307,088,249	

* ATE represents automated test equipment segment.
# FAS represents factory automation solutions segment.

A customer is defined as a company or a group of companies having the same ultimate holding company.

34. FINANCIAL INSTRUMENTS

34.1 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
2020			
GROUP			
Financial assets			
Investment in RCPS of an associate	3,000,000	-	3,000,000
Trade receivables	141,627,682	141,627,682	-
Other receivables and refundable deposits	18,901,602	18,901,602	-
Derivative financial assets	3,335,637	-	3,335,637
Other investments	676,456	250,000	426,456
Cash and cash equivalents	437,321,211	437,321,211	-
	604,862,588	598,100,495	6,762,093
Financial liabilities			
Trade payables	64,133,996	64,133,996	-
Other payables and accruals	37,239,220	37,239,220	-
Borrowings	2,976,173	2,976,173	-
	104,349,389	104,349,389	-
COMPANY			
Financial assets			
Other receivables and refundable deposits	1,000	1,000	-
Inter-company balances	35,062,429	35,062,429	-
Cash and cash equivalents	136,978,898	136,978,898	-
	172,042,327	172,042,327	-
Financial liabilities			
Other payables and accruals	510,069	510,069	-

34. FINANCIAL INSTRUMENTS (cont'd)

34.1 Categories of financial instruments (cont'd)

	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	-

34. **FINANCIAL INSTRUMENTS (cont'd)**

34.2 **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.

34.3 **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 and other investments whilst the Company's exposure to credit risk arises principally from advances to its subsidiaries.

34.3.1 **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 **30 to 120 days** (2019: 14 to 120 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 3.10, 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 0.00%, past due between 0 to 30 days is ranged from 0.32% to 0.94%, past due between 31 to 90 days is ranged from 0.00% to 0.71%, past due between 91 to 365 days is ranged from 0.00% to 0.64% and past due more than 365 days is ranged from 50% to 100%. ECL allowance for the year is **RM8,462,750** (2019: RM3,823,630).

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.

34. **FINANCIAL INSTRUMENTS (cont'd)**

34.3 **Credit risk (cont'd)**

34.3.1 **Receivables (cont'd)**

Trade receivables (cont'd)

The following provides an analysis of the concentration of credit risk in trade receivables:

	GROUP	
	2020	2019
	%	%
Customers with debts of RM100,000 and above	**91**	98
Customers with debts of less than RM100,000	**9**	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.

The ageing of trade receivables of the Group is as follows:

	Gross RM	**Expected credit loss RM**	**Net RM**
2020			
Not past due	**69,986,249**	**-**	**69,986,249**
1 to 30 days past due	**14,392,960**	**-**	**14,392,960**
31 to 120 days past due	**36,615,207**	**-**	**36,615,207**
Past due more than 120 days	**31,244,723**	**(10,611,457)**	**20,633,266**
	82,252,890	**(10,611,457)**	**71,641,433**
	152,239,139	**(10,611,457)**	**141,627,682**
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

34. FINANCIAL INSTRUMENTS (cont'd)

34.3 Credit risk (cont'd)

34.3.1 Receivables (cont'd)

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.

34.3.2 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.

34.3.3 Investment in promissory note

The management is of opinion that there is no significant increase in credit risk on the promissory note since initial recognition as the risk of default is low and the outstanding balance is insignificant and thus, no ECL is recognised.

34.4 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:

34. **FINANCIAL INSTRUMENTS (cont'd)**

34.4 **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						
2020						
Trade payables	**64,133,996**	**64,133,996**	**64,133,996**	**-**	**-**	**-**
Other payables and accruals	**37,239,220**	**37,845,980**	**37,845,980**	**-**	**-**	**-**
Borrowings	**2,976,173**	**3,315,464**	**503,280**	**503,280**	**1,509,840**	**799,064**
	104,349,389	**105,295,440**	**102,483,256**	**503,280**	**1,509,840**	**799,064**
2019						
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
COMPANY						
2020						
Other payables and accruals	**510,069**	**510,069**	**510,069**	**-**	**-**	**-**
2019						
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	-	-	-

34. **FINANCIAL INSTRUMENTS (cont'd)**

34.5 Interest rate risk

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 interest-bearing financial instruments based on the carrying amounts as at the end of the reporting period is as follows:

	GROUP	
	2020	2019
	RM	RM
Floating rate instruments		
Financial liabilities	**2,976,173**	3,362,156

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.

34.6 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.

	GROUP	
	2020	2019
	RM	RM
USD	**(5,266,923)**	(2,442,169)
HKD	**(981,204)**	(1,850,910)
Decrease in profit before taxation	**(6,248,127)**	(4,293,079)

34. FINANCIAL INSTRUMENTS (cont'd)

34.7 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.

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 RM	Level 2 RM	Level 3 RM	Total RM
2020				
Quoted shares	**426,456**	**-**	**-**	**426,456**
Forward contract *(assets)*	**-**	**3,335,637**	**-**	**3,335,637**
Investment in RCPS	**-**	**-**	**3,000,000**	**3,000,000**
	426,456	**3,335,637**	**3,000,000**	**6,762,093**
2019				
Forward contract *(liabilities)*	-	2,395,368	-	2,395,368

There were no transfers between Level 1 and Level 2 during the financial year ended 31 December 2020 and 2019.

Fair value measurement

Quoted shares

Fair value of the quoted shares is determined by reference to published price quoted in an active market.

Forward contract

The derivative financial assets 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.

34. **FINANCIAL INSTRUMENTS (cont'd)**

34.7 **Fair value information (cont'd)**

Investment in RCPS of PAC

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value of investment in RCPS is determined using the price/book ratio of comparable listed companies adjusted for lack of marketability discount.	- Discount of lack of marketability at 28.45%	An increase in the discount for lack of marketability would decrease the fair value.

As at 31 December 2020, it is estimated that with all other variables held constant, an increase/ decrease in the discount of lack of marketability by 5% would decrease /increase the Group's profit or loss by RM318,000/ RM Nil.

34.8 **Reconciliation of liabilities arising from financing activities**

GROUP

	Balance at beginning RM	Cash Flows RM	Balance at end RM
2020			
Term loan	**3,362,156**	**(385,983)**	**2,976,173**
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

35. 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	
	2020	2019
	RM	RM
Borrowings	**2,976,173**	3,362,156
Less: Cash and cash equivalents	**(437,321,211)**	(423,251,420)
	(434,345,038)	(419,889,264)
Total equity	**705,303,748**	595,886,661
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 as compared to prior year and the Group is not subject to any externally imposed capital requirements by its lenders.

36. INVESTMENT SECURITIES

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
FVTPL 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 2021.

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Coronavirus pandemic ("COVID-19 pandemic") which was officially declared on 11 March 2020 by the World Health Organisation has created havoc to the global economy with all countries with the exception of China reporting negative growth and going into recession in the year 2020. Malaysia has not been spared.

37. **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR (cont'd)**

The COVID-19 pandemic has impacted the business operations of the Group particularly on the Group's revenue due to disruption to its manufacturing activity, supply chain, project shipment, logistical services and inventory replenishment. The imposition of the massive global travelling restrictions particularly in the first half of 2020 further impeded the site installation of projects which was a major milestone for revenue recognition to take place.

In 3Q2020, as the governmental efforts to curb COVID-19 pandemic in Malaysia where the Group principally operates in shifted from containment to recovery, the Group was able to resume its full production capacity and workforce run-rate fulfilling its order backlog.

The Group has responded positively to the challenges arising from the situation. Notwithstanding, the Group will take a cautious approach to managing the challenges posed going forward. The Group has sufficient working capital to sustain its operations and to continue its business as a going-concern.

38. **EVENTS AFTER THE REPORTING PERIOD**

(i) Extension of profit guarantee period in relation to the acquisition of TP Concept Sdn. Bhd. ("TP")

Given the unprecedented pandemic event of COVID-19 that has impact the global economies, TP has faced difficulties in meeting the aggregate profit guarantee. Pentamaster Equipment Manufacturing Sdn. Bhd. ("PQ") and the vendors ("the Parties") have entered into a supplemental share sale agreement on 25 February 2021 to extend the profit guarantee period for the vendors to fulfil the aggregate profit guarantee. The Parties have mutually agreed that the Aggregate Profit After Tax ("Aggregate PAT") to be used for determining the aggregate profit guarantee shall be the Aggregate PAT of TP for financial period ended 31 December 2019 ("FPE2019"), financial year ended 31 December 2020 ("NFYE2020"), financial year ended 31 December 2021 ("NFYE2021") and financial year ended 31 December 2022 ("NFYE2022") ("Extended Profit Guarantee Period").

In summary, with the extension of profit guarantee period, the Aggregate PAT in respect of TP for FPE2019, NFYE2020, NFYE2021 and NFYE 2022 shall not be less than RM12 million. In the event the Aggregate PAT is not achieved during the Extended Profit Guarantee Period, the vendors shall be liable to pay the shortfall to PQ up to RM12 million.

If the aggregate profit guarantee is not achieved and there is a profit guarantee shortfall, the vendors shall only receive part of the balance purchase price equivalent to the Aggregate PAT for the Extended Profit Guarantee Period.

(ii) Proposed final single tier dividend for the financial year ended 31 December 2020

On 25 February 2021, the Directors recommended a final single tier dividend of RM0.015 per ordinary share amounting to approximately RM10.7 million in respect of the financial year ended 31 December 2020 for shareholders' approval at the forthcoming Annual General Meeting. The current financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

(iii) Proposed bonus issue of shares

A subsidiary of the Company, Pentamaster International Limited ("PIL"), had on 16 March 2021 proposed to undertake a bonus issue of shares on the basis of one (1) bonus share for every two (2) existing ordinary shares held by qualifying shareholders on an entitlement date yet to be determined. The bonus shares to be allocated and issued will be credited as fully paid at par by way of capitalisation of an appropriate amount of the share premium account of PIL.

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 2020 (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	17 years	50,191,287
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	6 years	29,278,321

ANALYSIS OF SHAREHOLDINGS
AS AT 26 FEBRUARY 2021

Issued Share Capital	:	712,317,121 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	%
882	Less than 100 shares	43,627	0.01
3,942	100 – 1,000 shares	2,296,622	0.32
4,462	1,001 – 10,000 shares	16,529,506	2.32
1,263	10,001 - 100,000 shares	39,942,470	5.61
487	100,001 to less than 5% of issued shares	513,584,776	72.10
1	5% and above of issued shares	139,920,120	19.64
11,037	**Total**	**712,317,121**	**100.00**

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. (SINGAPORE BCH)*	139,920,120	19.64
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	24,020,175	3.37
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD.*	21,704,550	3.05
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RESOLUTE ACCOMPLISHMENT SDN BHD*	18,955,608	2.66
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	17,135,053	2.41
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	16,000,000	2.25
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	15,000,000	2.11
8	LEMBAGA TABUNG HAJI	13,880,000	1.95
9	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND*	9,931,225	1.39
10	HSBC NOMINEES (ASING) SDN BHD *TNTC FOR BARINGS ASEAN FRONTIERS FUND*	8,656,950	1.22

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	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	8,380,650	1.18
12	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY*	8,273,950	1.16
13	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	8,070,200	1.13
14	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PRULINK EQUITY FUND*	7,016,650	0.99
15	RESOLUTE ACCOMPLISHMENT SDN. BHD.	6,383,942	0.90
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD*	5,954,250	0.84
17	HSBC NOMINEES (ASING) SDN BHD *BPSS FFT FOR BAYVK A3-FONDS*	5,658,950	0.79
18	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND*	5,655,050	0.79
19	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD *AS BENEFICIAL OWNER*	5,411,900	0.76
20	PERMODALAN NASIONAL BERHAD	5,000,000	0.70
21	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL*	4,770,000	0.67
22	PERTUBUHAN KESELAMATAN SOSIAL	4,721,200	0.66
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	4,228,250	0.59
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD*	4,140,000	0.58
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIERRA BONUS SDN BHD*	3,974,550	0.56
26	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND*	3,823,050	0.54
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)*	3,618,100	0.51
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG*	3,548,776	0.50
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD *NATIONAL TRUST FUND (IFM KENANGA)*	3,471,950	0.49
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	3,382,700	0.47

Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders

	No. of Shares beneficially held			
Name of Substantial Shareholders	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	140,420,120	19.71	138,510[1]	0.02
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	*24,020,175*	*3.37*	*11,713,850*[2]	*1.64*
EMPLOYEES PROVIDENT FUND BOARD	-	-	*41,148,750*[3]	*5.78*

Note:

[1] Deemed interest through the shareholding of his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.
[2] Shares held by Kumpulan Wang Persaraan (Diperbadankan)'s Fund Manager.
[3] Shares held by Citigroup Nominees (Tempatan) Sdn Bhd.

Directors' Shareholdings (Direct & Deemed Interests)

a) In the Company

	No. of Shares beneficially held			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	140,420,120	19.71	138,510[1]	0.02
CHUAH CHONG EWE	32,378,053	4.55	-	-
LOH NAM HOOI	437,400	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	-	-

None of the other Directors have any interest in the shares of related corporations as at 26 February 2021.

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