PENTAMASTER CORPORATION BERHAD
(572307-U)

SHAPING THE FUTURE OF INNOVATION

annual report 2016

IDENTITY

An integrated consulting
and automation engineering
technology solutions provider.

VISION

To provide world-class automation solutions to companies in the manufacturing, electrical and electronics industries worldwide.

MISSION

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHUAH CHOON BIN
Executive Chairman

CHUAH CHONG EWE
Chief Executive Officer

GAN PEI JOO
Finance Executive Director

LOH NAM HOOI
Non-Executive Independent Director

SIM SENG LOONG @ TAI SENG
Non-Executive Independent Director

LENG KEAN YONG
Non-Executive Independent Director

AUDIT COMMITTEE

Chairman
SIM SENG LOONG @ TAI SENG
Non-Executive Independent Director

Members
LOH NAM HOOI
Non-Executive Independent Director

LENG KEAN YONG
Non-Executive Independent Director

COMPANY SECRETARIES

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

AUDITORS

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

HEAD OFFICE

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

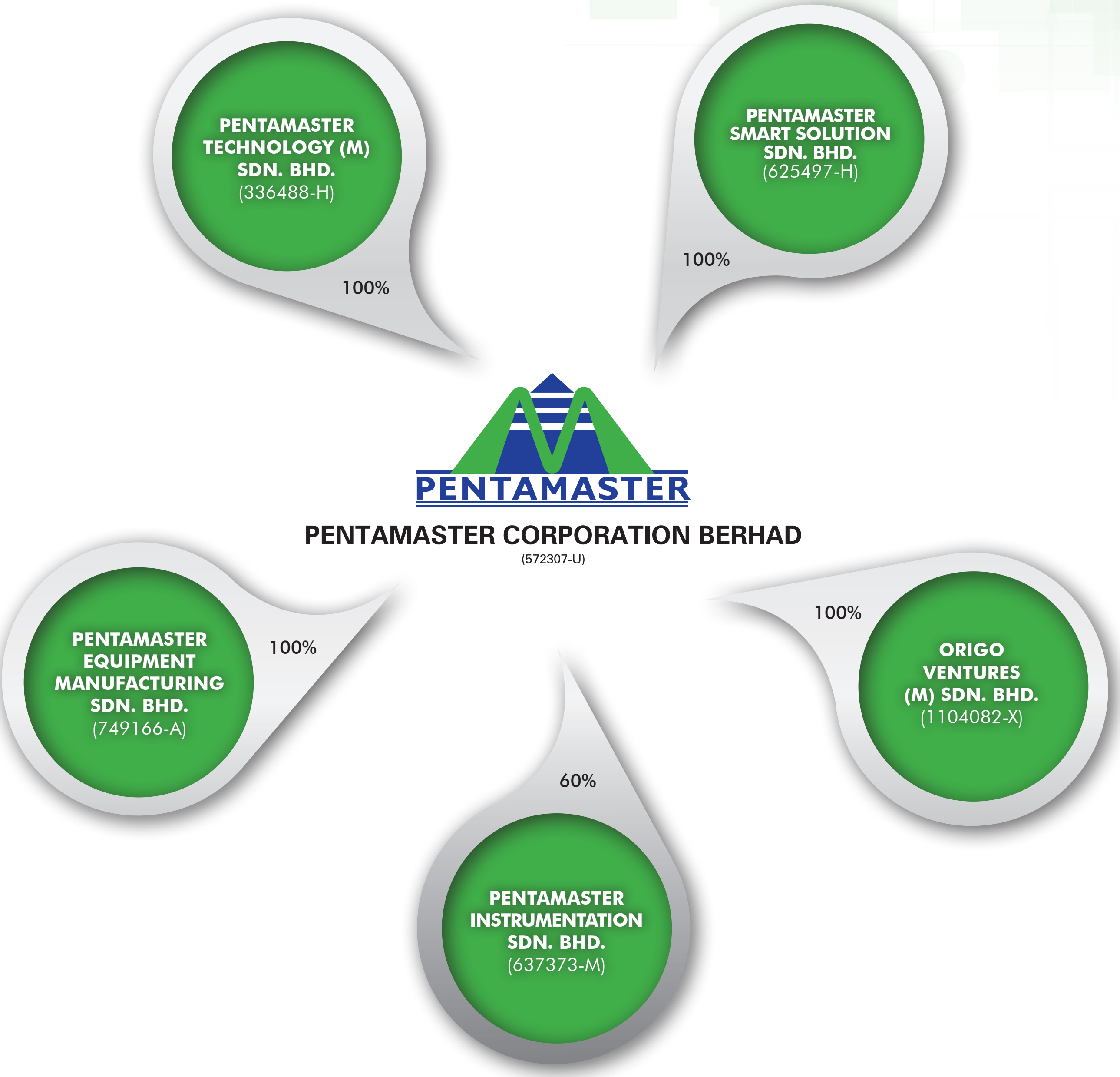
BANKERS

AMBANK (M) BERHAD
UNITED OVERSEAS BANK (MALAYSIA) BERHAD
HSBC 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



EXECUTIVE CHAIRMAN'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

2016 has been a year of outstanding progress for Pentamaster. We performed well against our set goals and strategies to focus on complete Test Solution for Smart Devices and Intelligent Automated Robotic Manufacturing System (i-ARMS). These two solutions have enabled Pentamaster to deliver strong operational growth and an excellent financial performance.

BUSINESS REVIEW

Review of operating activities

2016 has been an eventful year for Pentamaster. The Group made steady progress with double digit growth in both its revenue and profitability despite the challenging market conditions faced by the semiconductor sector. Our business strategies to focus on both test solution for Smart Devices and Intelligent Automated Robotic Manufacturing System ("i-ARMS") coupled with consistent focus on the technological advances and product quality enabled us to be well positioned to fulfil and meet the changing needs of our customers around the world.

When the semiconductor market began to get extremely competitive with price competition from China, Taiwan and Korea, we identified this scenario as a fundamental threat to our business. In order for Pentamaster to sustain and continue to deliver strong operational growth and excellent financial performance, we took prompt action to place focus in offering solutions and products that add value instead of slashing product pricing to remain competitive. The effectiveness of these measures is evident and reflected accordingly in the past years' financial performances.

Smart Devices for automotive and mobile devices are the two key growing sectors for Pentamaster in the past two to three years. The phenomenal growth in mobile devices and more adoption of electronic devices in the automotive car control have undoubtedly opened up big avenue of demands and opportunities for Pentamaster. Our test solution is capable of meeting customers' demand for highly stringent test application development, quality assurance and meeting the requirement of unique testing technology platform for each different smart feature of Smart Devices.

Meanwhile, we see vast potential and opportunities in the growing call for the i-ARMS in the modern manufacturing environment. Our i-ARMS has the capabilities of providing our customers with improved quality, repeatability, reliability, shorter cycle time and better manufactured products. Our capabilities in machine design, robotic automation and process automation provide the foundation for the Intelligent Manufacturing Solution. Essentially, our i-ARMS solution can provide manufacturers with manufacturing visibility and optimization of production activities. The interconnectivity concept enables seamless communication between manufacturing floor and business system which in turn improve overall equipment efficiency and facilitate lean manufacturing.

Momentum has been slow in the commercial property market over the last two years with fewer large property projects launched for sale due to sluggish market demand. However, we believe the concept of smart home solution with the ideology of 'Internet of Things' (IoT) will be the key selling features to home buyer market. With features such as pre-setting, scheduling, monitoring and security, this system ensures the mannerism of home devices and appliances are customised according to individual preference. Having the ability to use electronic system such as tablets, smart phone or computer to gain access to full management of the household, it eases the lives of people allowing a "smarter" and engaging life style.

Research and Development

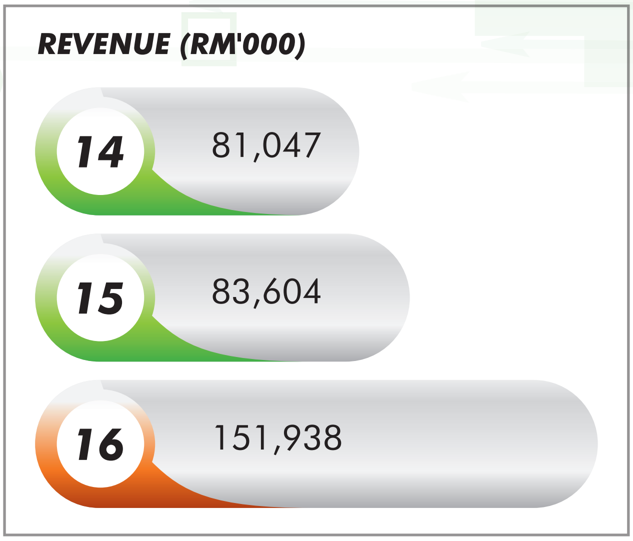
Pentamaster is in the best position in its history of 25 years. Our research and development ("R&D") programs and roadmap have enabled us to achieve four most significant achievements:

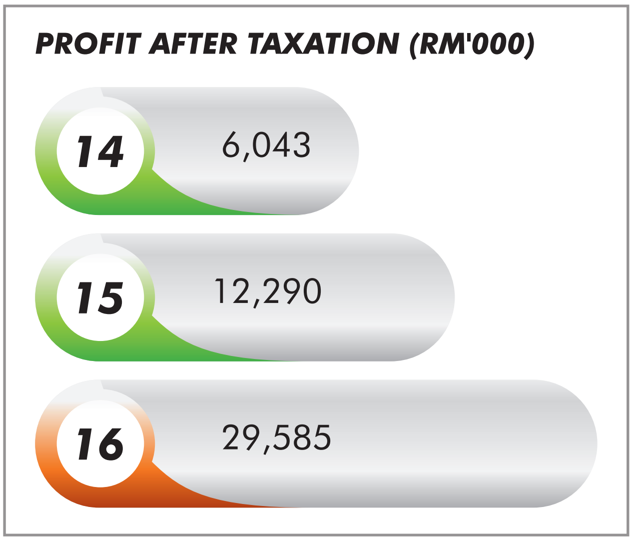
- Securing contracts from prestigious customers in the mobile and automotive sectors
- Advancement of new test solution products in the area of optic and light for smart devices.
- Increase year-on-year net profit by more than double digit over the past two years.
- Achievement of product differentiation with little competition exposure in the highly competitive automated handler market.

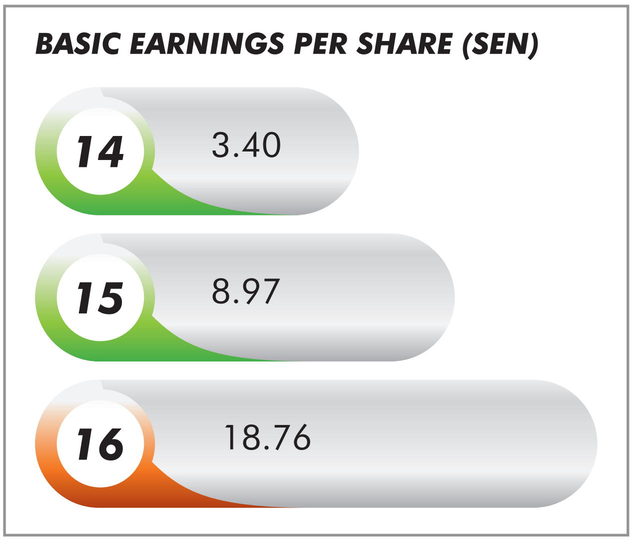
We will continue to sharpen our market focus in the test core areas and accelerate in developing more intelligent and flexible functions in our i-ARMS for diverse range of manufacturing industries such as food, gloves, electronics consumer and server/PC market to maintain our strong position and performance.

To reinforce competitiveness, Pentamaster constantly focuses on attracting outstanding talent. We are consistently recruiting experts in Mechanical, Software and Electronics, and collaborating with research institutes for the latest research finding to keep abreast of the latest technology in the market that can be applied in our products.

FINANCIAL REVIEW







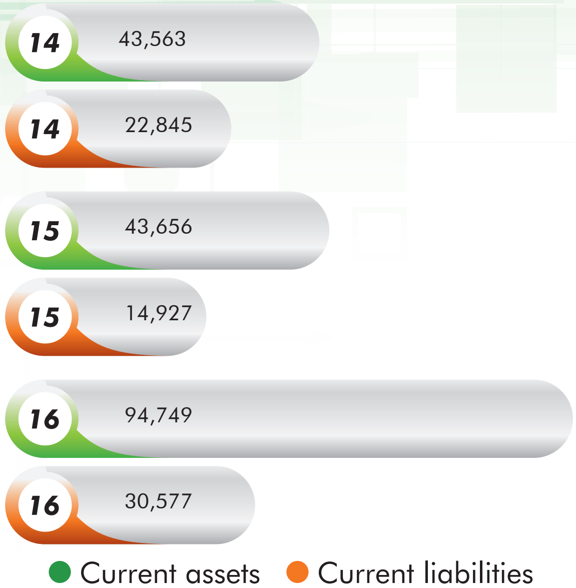
Revenue of the Group grew by 81.7% from RM83.6 million in FY2015 to RM151.9 million in FY2016 which is the best since FY2010. The growth in revenue was primarily contributed by the increase in revenue from the automated equipment segment by 97.4% where revenue from this segment constituted approximately 66.9% of total revenue. The increase in revenue from this segment was mainly attributable to stronger demand for our test equipment from the semiconductor market especially the smart device sector such as MEMS motion and position smart devices, camera module, MEMS microphone, ambient light and proximity sensor, humidity sensor and pressure sensor. Pentamaster experienced a pickup in sales orders since 2Q2016 and subsequently the Group experienced two consecutive strong quarters in 3Q2016 and 4Q2016 that bolstered its revenue for the entire year. Apart from the increase in sales demand, our average selling price had also increased as these test equipment with more features embedded are more complex and high-end in technology which in turn add value to the selling price.

Revenue from another two segments, namely the automated manufacturing solution segment and smart control solution system segment, in which the Group operates had also increased by 38.9% and 213.3% respectively. Revenue from these two segments accounted for 32.5% of total revenue of the Group.

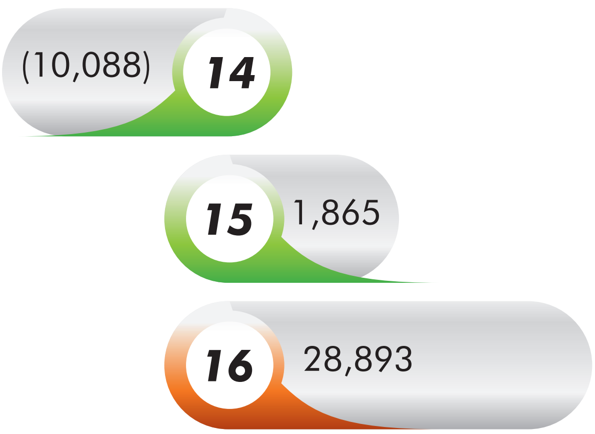
From a bottom line perspective, the Group closed its financial year with a record-breaking net profit of RM29.6 million which is an increase of 140.7% from RM12.3 million in FY2015. This makes FY2016 the most profitable year in Pentamaster's history. The Group's gross margin grew 2.8% to 31.9% compared to 29.1% a year ago. EBITDA for FY2016 came in at RM35.8 million and EBITDA margin was about 23.6%.

The improved financial performance in FY2016 was mainly driven by better product mix secured during the year coupled with the increase in turnover. Adding to the positive impact was the reversal of deferred tax liability of RM2.5 million as a subsidiary company was granted pioneer status under the Promotion of Investment Act, 1986 by the Malaysian Industrial Development Authority and therefore it is anticipated that the tax temporary differences will be reversed within the pioneer status period. Being a manufacturer in an export driven business, the performance of the Group was also enhanced to a certain extent, by the strength of the US Dollar against the Malaysian Ringgit. As a result of the increase in profit after tax achieved in FY2016, basic earnings per share rose from 8.97 sen in FY2015 to 18.76 sen in FY2016.

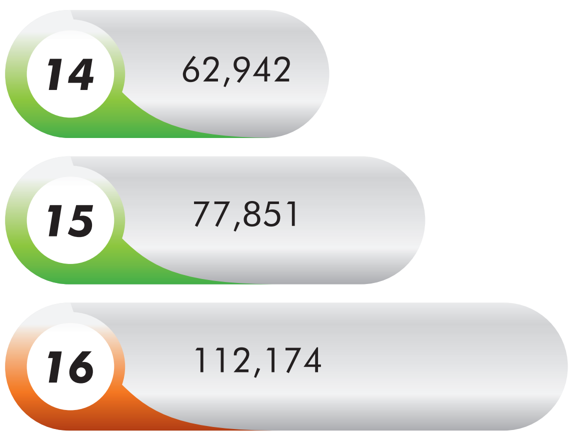
CURRENT ASSETS VS CURRENT LIABILITIES (RM'000)



RETAINED PROFITS/ (ACCUMULATED LOSSES) (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



On the balance sheet front, the financial position of the Group remains strong. We continued to maintain a robust position with working capital of RM64.2 million as at 31 December 2016. The Group generated net cash from operations of RM17.4 million in FY2016 as compared to RM7.8 million in the previous year. Cash and cash equivalents increased from RM15.3 million to RM30.8 million as at 31 December 2016. The overall significant improvement in the cash and cash equivalents held was mainly due to healthier EBITDA being generated from operations. The surplus funds generated from our operations were mainly utilised to improve our engineering and manufacturing capabilities through purchase of new equipment and design software system. During the year, we spent approximately RM4.2 million in capital expenditure out of which RM1.5 million was paid to Penang Development Corporation (PDC) as the progress payment for the proposed acquisition of a piece of leasehold land situated in Batu Kawan Industrial Park.

The Group has negligible borrowing which places it in a strong position to obtain financing to fund capital expenditure and additional working capital requirement for expansion of its business and also to invest in new ventures should opportunities arise.

In FY2016, the Group completed its private placement exercise ("Private Placement') which was first announced on 9 September 2015. Pursuant to the Private Placement, 13,324,283 ordinary shares were issued and the gross proceeds received amounted to RM7.8 million which is intended to be used for working capital of the Group.

Apart from the above private placement exercise undertaken, the positive financial results in FY2016 has contributed to the increase in total equity from RM77.8 million to RM112.2 million as at 31 December 2016.

OPERATIONAL AND FINANCIAL RISKS

Operational risks

Competition risk

The semiconductor and automation industries are highly competitive, subject to rapid technological changes and new product development. Many of our customers are multinational companies in Malaysia and overseas where the selection of equipment for their manufacturing process 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 through its R&D effort four years ago 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 edge against our competitors. The Group's software for machine control is 100% developed in-house. 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.

Dependence on key management and experienced personnel

The continued success of the Group is to a certain extent attributed to the leadership and stewardship of its experienced directors, key management team and the availability of skilled engineers. As part of the long term plan to nurture its key management, the Group continuously groom 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.

The Directors recognise the importance of attracting and retaining skilled personnel to support its business operation by providing desirable remuneration package which includes staff incentive scheme and a conducive working environment.

Risk relating to technological obsolescence

The Group is subjected to the inherent risk due to the rapid technological development. The Group's products are characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, new product introduction and enhancement. 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 team 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.

Intellectual Property

Majority of the products produced by the Group depend heavily on the use of its own intelligent technology know-how. There can be no assurance that the Group will be able to protect its proprietary rights against unauthorised third party copying or use of exploitation which could have a material adverse effect on the Group's business, operating results and financial conditions.

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 risk

The Group's financial risks are set out in Note 28 under the notes to the financial statements.

PROSPECTS OF NEW BUSINESS OR INVESTMENTS

The Group through one of its subsidiary companies, Pentamaster Technology (M) Sdn Bhd ("PTSB") invested in Penang Automation Cluster Sdn Bhd ("PAC") with 35% equity interest in the issued and paid up capital of PAC. PAC will be developing a new technology park to house SMEs in the automation industry in Batu Kawan, Penang. The park, estimated to cost approximately RM63 million will form an ecosystem of SMEs that will cater to the needs of wider automation market. The focus of the automation cluster companies will be in the area of design, development and manufacturing of high precision metal fabrication components modules and system for semiconductor, electronics, automotive and other high-growth industries in the region.

OUTLOOK

The market outlook in respect of demand for smart devices is expected to dominate the semiconductor industry. We anticipate the demand for our test solution for the smart devices in 2017 to grow. With the current shortage of cheap labour and demand for high standard of manufacturing, we are optimistic that our i-ARMS solution will grow for years to come. In addition to this, Pentamaster remains optimistic of the prospect of its Smart Home Automation solution where this concept will be the key selling features to home buyer market when the momentum in the property market picks up.

The Group remains fundamentally focused on improving its internal processes, system and operational capabilities. Staying relevant in a dynamic marketplace can be daunting, but with our solid fundamentals, we can face challenges and seize growth opportunities with confidence. As these initiatives continue, the Group will be in a good position to enjoy good levels of profit margin. We will continue to explore ways to reduce the overall manufacturing costs, further increase its competitiveness as well as maximising profits. Looking ahead, we are cautiously optimistic that year 2017 will be another good year for Pentamaster with the current business opportunities in our high-end smart IC device test solutions and i-ARMS.

DIVIDEND

The Board of Directors does not recommend any dividend payment for the financial year ended 31 December 2016.

APPRECIATION

On behalf of the management team, we would like to thank our employees for their hard work and contribution over the past 12 months. At the same time, we would like to thank our customers and business partners for giving us the opportunities and trust to enable us to achieve the impressive results in 2016. Also, we would like to thank you our valued shareholders for your belief and trust in us even during our challenging days and your support have motivated us to do better for the company.

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

CHUAH CHOON BIN
Executive Chairman

CHUAH CHOON BIN
Executive Chairman

Chuah Choon Bin (male), aged 56, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and is currently the Executive Chairman.

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. In 2012, he received his Honorary Doctorate Degree for his contribution in BioMedical Engineering from Allianze University College of Medical Sciences (AUCMS).

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.

He is an entrepreneur of remarkable accomplishment and has successfully built strong, sustainable, innovative and dynamic businesses and to continue growing these businesses. His excellence in entrepreneurship has steered the Group to bag numerous prestigious domestic and international awards. Among the notable ones are winner for 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 Chairman for Community Care Focus, Board Chairman of SJK Kwang Hwa Penang School Board and sits in the Board of Penang Charis Hospice Home. He is also appointed to the school board as Director for Chung Ling High School and Phor Tay High School. He also holds directorships in all the subsidiary companies of the Company.

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

CHUAH CHONG EWE
Chief Executive Officer

Chuah Chong Ewe (male), aged 50, a Malaysian citizen, was appointed to the Board of the Company on 23 June 2015 and is currently the Chief Executive Officer.

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

He joined Seal Incorporated Berhad in year 2005 as an Advisor before being promoted as Group CEO. Throughout the years, and with his Leadership Vision and Strategic Direction, coupled with his strong legal background, he spearheaded the strategic move and transformational restructuring in Seal Incorporated Berhad from a heavily indebted position into profitable net cash position with diversified earnings base, coupled with an optimal balance sheet structures that is reflective of its book value.

He left Seal Incorporated Berhad in October 2014 prior to joining Pentamaster Corporation Berhad.

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
Finance Executive Director

Gan Pei Joo (female), aged 41, a Malaysian citizen, was appointed to the Board of the Company on 1 March 2014 and is currently the Finance Executive Director.

She graduated with a Bachelor of Commerce majoring in Accounting from Curtin University of Technology, Perth, Australia in 1998. She is a Chartered Accountant from the Malaysian Institute of Accountants and a member of the Certified Practising Accountants, Australia.

She commenced her career at PricewaterhouseCoopers in 2000 and left as a Senior Associate in 2003 after having acquired extensive auditing and consulting exposure to companies in various industries. She joined Pentamaster Corporation Berhad as the Group Accountant in 2003 and her responsibilities include leading the corporate exercise, finance, treasury and accounting operations of the Group. She was subsequently promoted to Group Finance Manager in 2005 and later promoted to Group Financial Controller in 2009.

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.

LOH NAM HOOI
Non-Executive Independent Director

Loh Nam Hooi (male), aged 56, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and is currently the Chairman of the Remuneration Committee and the Nominating Committee. He is also a member of the Audit Committee.

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

SIM SENG LOONG @ TAI SENG
Non-Executive Independent Director

Sim Seng Loong @ Tai Seng (male), aged 50, a Malaysian citizen, was appointed to the Board of the Company on 1 August 2014 and is currently the Chairman of the Audit Committee and member of the Nominating Committee.

He started his career with Ernst & Young for 15 years before joining R.K. & Associates as a Lead Partner in 2004. He subsequently joined Eaton Industries Pty Ltd (Australia) as Accounting Manager before being transferred to Shanghai Eaton Engine Components Ltd (China) as Financial Controller. Thereafter in 2012, he was appointed as Chief Operating Officer and Chief Financial Officer for The BIG Group Sdn Bhd. He is now the Chief Financial Officer for Petrol One Resources Berhad. He also sits in the Board of Jack-in Group Limited (listed on Australian Stock Exchange) as an Independent Director.

He is a Chartered Accountant under Malaysian Institute of Accountant, a Certified Public Accountant under Malaysia Institute of Certified Public Accountant and member of the Certified Practising Accountants of Australia. He also holds various other certifications through training and updates in the fields of accountancy and taxation obtained throughout his career.

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-Executive Independent Director

Leng Kean Yong (male), aged 42, a Malaysian citizen, was appointed to the Board of the Company on 1 August 2014 and is currently a member of the Audit Committee, Remuneration Committee and the Nominating Committee.

He has been in the finance and marketing field for over 18 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 to Multinational corporations, on both local and global scale. Such projects encompass IPO exercise, industry research report, the development of a 5-year business plan, marketing strategy blue print, customer relationship management implementation, market entry and feasibility studies, and mergers and acquisitions evaluations.

He is currently a Director at L3 Consulting Sdn Bhd. Prior to this, he was a Project Director for Synovate Sdn Bhd and prior to that, as Senior Manager for ACNielsen Malaysia Sdn Bhd. During his tenure at ACNielsen, he was awarded with 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.

Hon Tuck Weng
Operations Director

Hon Tuck Weng (male), aged 46, a Malaysian citizen, graduated with a Higher Diploma in Computer Studies (Moderated by University of Humberside, UK) and Postgraduate Certificate in Engineering Business Management from Warwick University, UK. He started his career in Pentamaster as a Software Programmer in June 1994. His responsibilities expanded to roles in software development and later in project management. He was appointed as Operations Director in year 2007.

Teoh Siow Khiang
Senior General Manager

Teoh Siow Khiang (male), aged 60, a Malaysian citizen, graduated with a 1st class Degree in Electrical & Electronics Engineering from University Malaya. 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. At the same time, he earned a Master in Mechanical Engineer (Major in Operation Research) from University Malaya.

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.

In 2006, he joined Pentamaster as a General Manager and his responsibilities include leading the research & development and operation of test and measurement system. He was subsequently promoted to Senior General Manager in 2017 with his role expanded to focus on the growth and product base of the company.

Teh Eng Chuan
Chief Operating Officer – automated equipment division

Teh Eng Chuan (male), aged 43, a Malaysian citizen, holds a Diploma in Computer Science from Kolej Damansara Utama. He carries with him over 20 years of experience in the machine vision, design and control. He joined Pentamaster in 1996 as a Control Engineer and was promoted to Vision Manager in 2001 and subsequently Business Unit GM in 2015 to be responsible for all manufacturing operations of the business unit. Currently, he is the Chief Operating Officer of automated equipment division, a position which he has held since 2016.

Jack Ng Chin Keng
Chief Operating Officer – automated manufacturing solution division

Jack Ng Chin Keng (male), aged 37, a Malaysian citizen, graduated with Hons. Degree in Computer Science from University of Humberside, UK. He started his career with Pentamaster as an Automation Engineer after his graduation in 2000. He was involved in various types of machine development and material handling system. Over the last ten years, his roles expanded to managerial level overseeing the project management, project operation and business development. He was appointed as the Chief Operating Officer of automated manufacturing solution division since 2015.

Chuah Teong Khoey

Senior Division Manager – smart control solution system division

Chuah Teong Khoey (male), aged 38, a Malaysian citizen, graduated with a Bachelor of Science (Business Information System) from Campbell University, USA. He joined Pentamaster in 2003 and had over 14 years of experience specializing in automation and building management system catering for industrial, commercial and residential buildings. Throughout the years, he has led and successfully completed automation projects covering the semiconductor industry, conveyor and logistic system, robotic solution, glove manufacturing industry as well as F&B manufacturing solutions. Currently, he is the Senior Division Manager, a position which he has held since 2014.

Eunice Ng Yen Mei

Corporate Procurement & Logistic Manager

Eunice Ng Yen Mei (female), aged 39, a Malaysian citizen, graduated with a Master of Business Administration from Paramount University of Technology, USA. She carries with her over 20 years of experience in the semiconductor assembly and test industry. Prior to joining Pentamaster, she was with Dell Asia Pacific Sdn as a Material Specialist. She joined Pentamaster in 2004 as a Material Section Manager and was subsequently promoted to Senior Department Manager in 2008. She was appointed as the Corporate Procurement & Logistic Manager since 2016 with her role expanded to cover all purchasing, sourcing, warehouse and logistic operations of the Company.

Notes:-

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

At Pentamaster, the Group is mindful of its responsibility to the communities in which it operates and is committed to progressively embed Corporate Social Responsibility ("CSR") best practice into the Group's operation. The Group believes that integrating its social and environmental responsibilities into its business strategies and practices assist in ensuring sustainable growth for the Group. Our CSR programs cover the areas of the environment, community, marketplace and workplace.

ENVIRONMENT

The Group remains committed to ensuring that we play our role in sustaining a greener environment. During the year under review, the Group continued with the recycling and waste management initiative whereby recycle bins are provided to spur waste segregation for proper recycling and disposal purposes. Our employees are educated on the concept of "Reduce, Reuse and Recycle" which is an excellent way of saving energy and conserving the environment.

COMMUNITY

In its responsibility to society and the community in which it operates, the Group especially cares for the wellbeing of the underprivileged towards the betterment of their health and education. Our contributions, financial or otherwise, to activities for the benefit of the welfare of the community have been geared towards benefiting as many in the community as possible within our capacity.

The Group participates actively to raise funds towards the promotion of health awareness and for charities which provide care for individuals who suffer from debilitating illness. During the year, Pentamaster contributed towards a fundraising cum publicity event "Charity Hunt 2016" organised by Charis Hospice on 23 April 2016, for its efforts to provide free palliative home care services to patients with advanced illness. Pentamaster also made monetary contribution to other charitable organisations such as Eden Handicap Service Centre, Charis Hospice and Than Hsiang Foundation during the year to support the running costs of these centres established for the wellbeing of the needy and the less fortunate.

Besides charitable contributions to the welfare of the needy and the less fortunate, other CSR activities of the Group included support of projects and events that promote education, healthcare and social needs designed to enhance quality of life. In keeping with our past programmes, Pentamaster participated in the main sponsorship for the "Youth Adventure Camp 2016" organised by Star Media Group Berhad with the aim to support the goal to help young students develop a range of skills which includes communication, problem solving, teamwork, survival, leadership and so forth. Other support included monetary contribution to Chung Ling Private High School and Tech Dome Penang as their sponsor for various events and programs carried out.

As in previous years, we continue to support the internship program by providing industrial training to students from universities, colleges, polytechnics and other technical/vocational institutions.

MARKETPLACE

As part of promoting investor relations, the Group maintains an online platform via its website which provides information on the Group encompassing formal announcements, quarterly financial results and updates on the Group's performance and development with the objective of fostering and maintaining good relations with and providing timely information to various stakeholders of the Group.

WORKPLACE

As for our working environment, the Group is committed to providing and maintaining a healthy and safe working environment for its employees. Occupational Safety and Health committees organized 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 (ERT) and Employee Safety and Health (ESH) Committee and fire drill is carried out at least once a year within the Group.

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 has also constructed an in-house child care centre to provide free child care services for all employees. This nursery sanctuary is aimed at providing conducive and convenient working environment to the working parents and to promote employees' engagement.

The Group recognises the criticality in maintaining highly motivated and competent employees. Since 2009, Pentamaster has implemented an incentive scheme which rewards employees based on both the business performance and the employee's individual performance.

Acknowledging the importance of work life balance and that healthy body promotes healthy mind, management and the employees are actively encouraged to participate in sports activities such as the internally organised badminton games to foster closer interaction and team cohesiveness.

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 2012 ("MCCG 2012").

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

Principle 1: Establish clear roles and responsibilities

Functions reserved for the Board
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 the Chief Executive Officer (CEO);
- 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.

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

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 Corporate Social Responsibility practices which cover the areas of the environment, community, marketplace and workplace. The efforts of the Group in these areas are detailed in the Corporate Social Responsibility Statement in this Annual Report.

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 Director concerned must seek the approval of the Board. The Directors may access all information within the Group in furtherance of their duties.

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 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.

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 compliance with laws, regulations and its internal Code of Ethics. The Board Charter is subject to periodic review and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as changes to legislations and regulations. The Board Charter is available on the Company's website at http://www.pentamaster.com.my

Principle 2: Strengthen composition

Nominating Committee
The Nominating Committee comprises wholly of independent 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
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.

Principle 2: Strengthen composition (cont'd)

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

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

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.

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 Nominating Committee has developed the following procedure for considering potential Board candidates:

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

(b) upon identifying a potential candidate, the following will be considered:
- qualifications and competencies of the candidate;
- character and integrity of the candidate;
- other directorships and time availability of the candidate;
- independence of the candidate, if an Independent Directors 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 summarization for consideration by the Nominating Committee and subsequent report back to the Board.

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

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

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

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

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

The Remuneration Committee has met once during the financial year.

Principle 2: Strengthen composition (cont'd)

Directors' Remuneration
The details of the Directors' remuneration for the financial year ended 31 December 2016 are as follows:-

Received from the Company

Type of remuneration	Aggregate remuneration (in RM) paid / payable to	
	Executive Directors	Non-Executive Directors
Directors' Fees	72,000	144,000
Other Emoluments:		
-Salaries, bonus, allowances & perquisite	1,762,582	15,000
-Contribution by employer to Provident Fund	211,518	-
-Benefits-in-kind (based on estimated money value)	23,392	-
Total	**2,069,492**	**159,000**

Received on Group basis

Type of remuneration	Aggregate remuneration (in RM) paid / payable to	
	Executive Directors	Non-Executive Directors
Directors' Fees	72,000	144,000
Other Emoluments:		
-Salaries, bonus, allowances & perquisite	2,152,582	15,000
-Contribution by employer to Provident Fund	258,318	-
-Benefits-in-kind (based on estimated money value)	23,392	-
Total	**2,506,292**	**159,000**

The analysis on Directors' remuneration by remuneration band is as follows:

Received from the Company

Remuneration Band (in RM)	No. of Recipient/s	
	Executive Directors	Non-Executive Directors
50,000 to 100,000	-	3
500,000 to 550,000	1	-
650,000 to 700,000	1	-
850,000 to 900,000	1	-
Total	**3**	**3**

Principle 2: Strengthen composition (cont'd)

Directors' Remuneration (cont'd)
Received on Group basis

Remuneration Band (in RM)	No. of Recipient/s	
	Executive Directors	Non-Executive Directors
50,000 to 100,000	-	3
500,000 to 550,000	1	-
650,000 to 700,000	1	-
1,300,000 to 1,350,000	1	-
Total	**3**	**3**

Principle 3: Reinforce independence

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

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

Tenure of independent directors
The MCCG 2012 recommends that the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

Mr. Loh Nam Hooi has served on the Board as an Independent Director for a tenure of fourteen (14) years. During the financial year, the Board carried out an assessment of the Independent Director and determined that Mr. Loh Nam Hooi satisfied the criteria of independence recognized by the Board. The Board had thus determined that Mr. Loh Nam Hooi should 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 2012.

Separation of position of Chairman and Chief Executive Officer
The positions of the Executive Chairman and the Chief Executive Officer ("CEO") are held by different individuals. The 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 Directors have 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 Chairman is an executive member of the Board and this is not in compliance with the recommendation of MCCG 2012 which advocates that the Chairman should be a non-executive member of the Board. As half the Board consists of Independent Non-Executive Directors, it is of the opinion that the shareholders' interests are properly safeguarded.

Principle 3: Reinforce independence (cont'd)

Composition of Board
The Board presently has six (6) members which consists of three (3) Executive Directors and three (3) Independent Non-Executive Directors. Although the Board composition does not have a majority of Independent Non-Executive Directors as recommended under MCCG 2012 for a Board where the Chairman is an Executive Director, the Board believes that there is a sufficient number of Non-Executive members on the Board such that no individual or group of individuals dominates the Board's decision making. The Board also believes that the number of Directors reflects fairly the investment of the shareholders.

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 9 to 10.

Principle 4: Foster commitment

Time commitment of directors
The Board meets at least four 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 2016, there were four (4) Board meetings held. The commitment of the Directors in carrying out their duties is reflected in almost full attendance of the Directors at Board meetings held during the financial year as shown below:-

Name of Director	Designation	Attendance
Chuah Choon Bin	Executive Chairman	4/4
Chuah Chong Ewe	Chief Executive Officer	4/4
Gan Pei Joo	Finance Executive Director	4/4
Loh Nam Hooi	Independent Non-Executive Director	3/4
Leng Kean Yong	Independent Non-Executive Director	4/4
Sim Seng Loong @ Tai Seng	Independent Non-Executive Director	4/4

Continuing education programmes
All Directors have completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 2016, the current Directors of the Company had either attended an in-house training programme, seminar or conference organised externally. The programmes attended by the current Directors during the year, include the following:-

Principle 4: Foster commitment (cont'd)

Continuing education programmes (cont'd)

Name of Directors	Name of Course	Mode of training	Number of day (s) spent
Chuah Choon Bin	• UBS Insights – Asia • Budget 2017 and GST updates	Briefing Briefing	1 0.5
Chuah Chong Ewe	• Budget 2017 and GST updates	Briefing	0.5
Gan Pei Joo	• Tax Seminar on Malaysia Budget 2017 • Deloitte TaxMax - The 42nd Series • Enhanced Understanding of Risk Management and Internal Control for CFO, IA & RO – "The Way Forward"	Workshop Workshop Workshop	1 1 1
Loh Nam Hooi	• Independent Directors Programme: "The Essence of Independence" • Budget 2017 and GST updates	Workshop Briefing	1 0.5
Leng Kean Yong	• IoT in Smart Manufacturing – Introducing IoT in a Box Webinar • UBS Insights – Asia	Workshop Briefing	1 1
Sim Seng Loong @ Tai Seng	• Budget 2017 and GST updates	Briefing	0.5

Principle 5: Uphold integrity in financial reporting

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 Securities 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 who is guided by the Finance Director 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 Director and the external auditors where applicable before the financial reports are recommended to the Board for approval and public release.

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

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

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

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

Principle 5: Uphold integrity in financial reporting (cont'd)

Suitability and independence of external auditors(cont'd)
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 for the re-appointment of the external auditors at the forthcoming Annual General Meeting of the Company.

Principle 6: Recognise and manage risks

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 2012. The Directors also have a general responsibility for taking reasonable steps to prevent and detect fraud and other irregularities. The Statement on Risk Management and Internal Control set out on pages 24 to 26 of this Annual Report, provides an overview of risk management and the state of internal control within the Group.

Internal audit function
The Board has outsourced its internal audit activities to a professional service firm to support the internal audit function. The Audit Committee Report set out on pages 27 to 29 of this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

Principle 7: Ensure timely and high quality disclosure

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

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

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

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

Principle 7: Ensure timely and high quality disclosure (cont'd)

Corporate disclosure policies and procedures (cont'd)
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. The Company will consider whether there is any information that has been publicly disclosed, has not been publicly disclosed or is the subject matter of a rumour or report that would account for the unusual market activity and accordingly 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.

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

Principle 8: Strengthen relationship between Company and shareholders

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 21 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 Articles of Association 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 previous general meetings, the Chairman had informed the shareholders of their right to demand a poll vote at the commencement of the meeting. In line with the amendment to the Main Market Listing Requirements of Bursa Securities, the Company will implement poll voting for all the resolutions put to vote at general meetings. In addition, the Company will appoint at least one 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 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.

Compliance Statement
Save as disclosed, throughout the financial year ended 31 December 2016, the Group has complied with all the principles and recommendations of the MCCG 2012.

This statement was made in accordance with a Board of Directors' resolution dated 20 April 2017.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board of Directors is pleased to provide the following statement on the state of 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 of Directors 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 Executive Officer ("CEO") and the Finance Director ("FD") 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, covering both wholly and partially owned subsidiaries. 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 CEO, FD and senior management to assist in the risk management process within the Group.

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

Risk Management and Internal Control Structure (Cont'd)

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

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

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

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

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

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

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

In addition, the Executive Directors have day to day involvement with the business and are 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 period 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 the risks concerned materializing; and

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

Control Environment

The Group has in place a proper control environment which emphasizes 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 outsourced its internal audit function to a professional firm of consultants to support its internal audit function to provide much of the assurance required regarding the effectiveness as well as the adequacy and integrity of the Group's system of internal controls. Internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group. The internal audit plan was presented to and approved by Audit Committee. Periodic internal audit review is carried out and the audit findings are presented to the Audit Committee via internal audit reports whilst Management formulates action plans to address issues noted from internal audit to improve the system of internal controls.

The Board of Directors 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 2016. Nevertheless, the internal control systems will continue to be reviewed, added on or updated in line with changes in the operating environment.

Review of the Statement by External Auditors

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the Annual Report for the Financial Year ended 31 December 2016 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 sound and sufficient to safeguard shareholders' investment and the Group's assets.

This statement was made in accordance with a Board of Directors' resolution dated 20 April 2017.

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:	Sim Seng Loong @ Tai Seng (Independent Non-Executive Director)	4/4
Members:	Loh Nam Hooi (Independent Non-Executive Director)	3/4
	Leng Kean Yong (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 http://www.pentamaster.com.my

The Board of Directors 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 2016 and had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee: -

A. Financial reporting

The Audit Committee reviewed the unaudited quarterly financial results of the Group during its meetings held on 23 February 2016, 21 April 2016, 4 August 2016 and 3 November 2016. On 21 April 2016, the Audit Committee reviewed the audited financial statements of the Group and Company for the year ended 31 December 2015. The Audit Committee's recommendations in respect of the quarterly results and annual audited financial statements were presented to the Board at the respective Board of Directors' meetings for the Board's approval before subsequent release to Bursa Malaysia Securities Berhad and the Securities Commission.

B. External Audit

On 23 February 2016, the Audit Committee reviewed the status of the audit for the financial year ended 31 December 2015 with the external auditors. The external auditors briefed the Audit Committee on the progress of the annual audit and issues discussed with management. The Audit Committee was informed that there were no significant changes to the scope or audit approach as compared to the audit plan.

On 21 April 2016, the Audit Committee met the external auditors and was briefed on the audited financial statements and the results of the audit for the financial year ended 31 December 2015. The external auditors reported that there was no material variance in the audited results for the year when compared with unaudited results announced on 23 February 2016. The Audit Committee reviewed a recommendation by the external auditors to improve a point of control and noted that management agreed with the recommendation and will take appropriate action.

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

B. External Audit (cont'd)

The external auditors confirmed that there were no matter that may impair their professional independence and they complied with the requirements of the Malaysian Institute of Accountants by-laws on Professional Conduct and Ethics on professional independence in relation to the audit engagement.

The Audit Committee reviewed the extent of assistance rendered by management in the course of the audit and based on feedback from the external auditors, it was satisfied that management had co-operated fully and the external auditors were able to obtain information requested to carry out their work. The external auditors also reported that based on the audit work performed the auditors have not identified any other major matters to highlight to the Audit Committee. Based on the review carried out and the report from the external auditors, the Audit Committee recommended the audited financial statements for the financial year ended 31 December 2015 to the Board of Directors for approval.

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

On 3 November 2016, the Audit Committee reviewed and approved the external auditors' audit plan for the Group and the Company for the year ending 31 December 2016. The audit plan covered the areas of audit emphasis and the audit approach for each area identified. The Audit Committee was briefed on amendments and new accounting standards issued by the Malaysian Accounting Standards Board and noted that the initial application of the standards is not expected to have any material impact on the financial statements of the Group. The Audit Committee also agreed to the proposed reporting schedule for the audit for the financial year ending 31 December 2016 to meet the reporting deadlines.

C. Internal audit and risk management

During the financial year under review, the internal auditors had conducted the audit activities in accordance with the audit plan approved by the Audit Committee on 5 November 2015 and presented their internal audit reports at the Audit Committee meetings held on 23 February 2016 and 4 August 2016. Relevant management members including Executive Directors were invited to attend the Audit Committee meetings to provide insight and clarification on specific matters raised in the internal audit reports and their views on internal audit recommendations. The internal auditors also provided status updates to Audit Committee in respect of implementation of management action plans or agreed course of action on the findings reported in previous audit cycles to ensure that issues that have been highlighted are resolved satisfactorily. The Audit Committee was also briefed by management on the activities carried out by the Risk Management Team in assessing and managing risks in the Group.

D. Other matters

On 21 April 2016, the Audit Committee reviewed Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2015 and recommended it to the Board of Directors for approval. The Committee also reviewed and approved the Audit Committee Report for the financial year ended 31 December 2015 for inclusion in the Company's Annual Report 2015.

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 functionally to the Audit Committee, assisting it in discharging its duties and responsibilities. Its key role is to provide an independent and objective assurance of the adequacy and integrity of the system of internal controls. The cost incurred for the internal audit function in respect of the financial year was RM35,632.

5. SUMMARY OF WORK OF THE INTERNAL AUDITORS

During the financial year ended 31 December 2016, 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 quality control management, management information systems and credit management of major subsidiaries in the Group. The internal auditors also reviewed implementation of corrective action plans or agreed course of action on the findings reported in previous audit cycles. The findings and recommendations were highlighted to management for their comments and further action. Internal audit reports were presented to the Audit Committee and also reported to the Board.

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

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

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

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

MATERIAL CONTRACTS

On 15 April 2015, Origo Ventures (M) Sdn Bhd ("OVSB") a wholly owned subsidiary company of Pentamaster Corporation Berhad ("PMCB"), 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 of nine point eight eight (9.88) acres ("Contract"). The Gross Development Value for the development is approximately RM164 million and OVSB was awarded the project management based on the following remuneration of:

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

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

Chuah Chong Boon, a Director of MDSB and a person who has an indirect interest in MDSB, is the brother of Chuah Chong Ewe, a Director and Chief Executive Officer of PMCB. 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 PMCB 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.

UTILISATION OF PROCEEDS

The Company received approximately RM7.8 million from the four tranches of Private Placement which was completed during the year ended 31 December 2016. The utilization of the gross proceeds raised from the said Private Placement up to 31 December 2016 is as follows:-

Purpose	Proposed Utilisation RM'000	Gross proceeds Received RM'000	Actual Utilisation RM'000	Intended timeframe for Utilisation from completion of the Proposed Private Placement	Balance RM'000
General working capital	8,094	7,717	5,588	Within one (1) year	2,129
Estimated expenses in relation to the Proposed Private Placement	100	100	105	Upon completion	(5)
	8,194 (Note 1)	7,817	5,693		

Note 1: The above proposed utilisation was based on the expected gross proceeds raised which was calculated based on the indicative issue price of RM0.615 per placement share as announced on 9 September 2015.

NON-AUDIT FEES

The amount of non-audit fees paid and payable to the external auditors for the financial year is RM3,000.

RECURRENT RELATED PARTY TRANSACTIONS

Set out below are the recurrent related party transactions of the Group for the financial year ended 31 December 2016 that were carried out in the normal course of business on an arm's length basis:-

Nature of Transaction	Company in the Group involved	Interested Related Party	Interested Directors/ Major Shareholders and persons connected	Value (RM)
Project management fee from the development project to be billed by OVSB to MDSB	OVSB	MDSB and Chuah Chong Boon[1]	Chuah Chong Ewe [1]	2,830,189

Notes

(1) Chuah Chong Ewe is a Director and Chief Executive Officer of PMCB and he has 4.55% direct interest in the ordinary shares of PMCB, comprising of 6,662,151 ordinary shares. He has no interest in the shareholding of MDSB. Chuah Chong Boon is Chuah Chong Ewe's brother. Chuah Chong Boon is a Director of MDSB and he has 49% indirect interest in MDSB. He has no interest in the shareholding of PMCB. The principal activity of MDSB is property development.

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 2016**.

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 5 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/(Loss) for the financial year	**29,584,841**	**(46,356)**
Attributable to:		
Owners of the Company	**27,028,419**	**(46,356)**
Non-controlling interests	**2,556,422**	**-**
	29,584,841	**(46,356)**

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 2016** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIVIDENDS

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

The directors do not recommend any dividend payment for the financial year.

RESERVES AND PROVISIONS

There were no material transfers made 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 issued and paid-up ordinary share capital was increased from RM68,620,175 to RM73,283,667 through a private placement exercise which was first implemented in the last financial year, and continued into this financial year involving issuance of shares at different tranches as follows:

(i) Issuance of 5,329,700 new ordinary shares of RM0.50 each at an issue price of RM0.546 per ordinary shares (2nd tranche),
(ii) Issuance of 1,997,283 new ordinary shares of RM0.50 each at an issue price of RM0.56 per ordinary shares (3rd tranche), and
(iii) Issuance of 2,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.555 per ordinary shares (4th tranche).

Following the issuance of the 4th tranche, the private placement exercise involving the placement of a total 13,324,283 new ordinary shares of RM0.50 was completed.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company. Other than the foregoing, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

DIRECTORS

The directors who served since the date of the last report are as follows:

Chuah Choon Bin
Chuah Chong Ewe
Gan Pei Joo
Leng Kean Yong
Loh Nam Hooi
Sim Seng Loong @ Tai Seng

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares of the Company and of its related corporations during the financial year are as follows:

	Number of ordinary shares of RM0.50 each			
	Balance at 1.1.16	**Bought**	**Sold**	**Balance at 31.12.16**
The Company				
Direct Interest				
Chuah Choon Bin	30,642,000	-	-	30,642,000
Chuah Chong Ewe	6,662,151	-	-	6,662,151
Loh Nam Hooi	90,000	-	-	90,000
Gan Pei Joo	79,100	-	-	79,100
Indirect Interest				
Chuah Choon Bin	28,500*	-	-	28,500

* Deemed interest by virtue of shares held by the spouse.

By virtue of his shareholdings in the Company, Mr. Chuah Choon Bin is deemed interested in the shares of all the subsidiaries to the extent that the Company has an interest.

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 of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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 as shown in the financial statements) 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 object or 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.

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 all known bad debts had been written off and that adequate provision had been made for doubtful debts, 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 to realise.

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

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

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

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

(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, and

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

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in Note 30 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

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

Penang,

Date: 20 April 2017

DIRECTORS' STATEMENT

In the opinion of the Directors, the financial statements set out on pages 43 to 98 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 99 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

....

Chuah Choon Bin

....

Chuah Chong Ewe

Date: 20 April 2017

STATUTORY DECLARATION

I, **Gan Pei Joo**, 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 43 to 98 and the supplementary information set out on page 99 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 **20th**)
day of **April 2017**.)
)

....

Gan Pei Joo

Before me,

....

Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Pentamaster Corporation Berhad**, which comprise the statements of financial position as at **31 December 2016** 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 a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 98.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2016** 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, 1965 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 Accounts' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole and, 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
Amortisation of project management rights *(Note 6 to the financial statements)*	
Included in the Group's intangible assets is an amount of RM4.1 million comprising of project management rights to a development project in Kelantan. The amortisation of the project management rights is dependent on the stage of completion of the project and this requires management to estimate the stage of completion through reference data provided by the developer of the project.	Our audit procedures in relation to the amortisation of the project management rights included: - Obtaining the reference data in which management used to determine the stage of completion of the project and understand key estimates within them. - Testing the mathematical computation of the stage of completion. - From the percentage of completion computed, we have requested for third party architect certificates issued by the developer's architect to determine whether the percentage of completion computed is within expectation. Based on our audit procedures carried out, we found that management's basis in determining the amortisation charge in 2016 to be reasonable and accurately computed.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Provision for inventories write-down (Note 7 to the financial statements)</td></tr>
<tr><td>The Group has significant inventories as at 31 December 2016. The Group provides for slow moving or obsolete inventories based on assessment of the net realisable value of the inventories. Deriving the net realisable value of inventories requires management's estimation of future level of product sales and the ageing of the inventories at the end of the reporting period.</td><td>Our audit procedures in relation to the provision for inventories write-down included:

- Obtaining an understanding of:
(i) how the Group identifies and assess inventory write-downs; and
(ii) how the Group makes the accounting estimates for inventory write-downs.
- Reviewing the consistency of the application of management's methodology for calculating the provision from year to year.
- Considering the ageing of the inventories.
- On a sampling basis, we have independently reviewed the net realisable value of inventories.
- Reviewing the adequacy of the provision estimated and provided in the financial statements.

Based on our audit procedures carried out, we found that the provision has been made based on methodology consistent with previous years and the level of provision provided at the end of the financial year was appropriate.</td></tr>
<tr><td colspan="2">Impairment of trade receivables (Note 8 to the financial statements)</td></tr>
<tr><td>The Group has significant trade receivables as at 31 December 2016 and it is subject to credit risk exposure. The calculation of the financial year end impairment provisions requires management to estimate the collectability of the debt considering the ageing of receivable and historical loss experience for receivables with similar characteristics.</td><td>Our audit procedures in relation to impairment of trade receivables 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.
- Reviewing the consistency of the application of management's methodology for calculating the impairment from year to year.
- Considering the ageing of the trade receivables.
- Reviewing collections received after the financial year end.
- Reviewing the adequacy of the impairment estimated and provided in the financial statements.

Based on our audit procedures carried out, we found that the impairment has been calculated based on methodology consistent with previous years and that the level of impairment provided at the end of the financial year was appropriate.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Pioneer status incentives *(Note 23 to the financial statements)*	
Certain subsidiaries of the Group have been granted pioneer status from Malaysian Investment Development Authority ("MIDA") under the Promotion of Investments Act, 1986 for certain pioneer products and activities but yet to receive the pioneer certificates as they are required to fulfill certain conditions which are attached to the approval letters. The management has submitted its application to show that it has fulfilled the necessary conditions and is now awaiting MIDA to issue the pioneer certificates. The subsidiaries have prepared their tax provisions for the financial year ended 31 December 2016 on the assumption that the pioneer certificates will be successfully issued by MIDA as all conditions imposed by MIDA have been met. The pioneer period is effective from the first sale invoice issued in relation to the said pioneer product which happens to fall within the current financial year.	Our audit procedures in relation to pioneer status incentives included: - Obtaining and reviewing the conditions imposed by MIDA. - Inspecting the contents within the application form, more specifically on the supporting documents presented to MIDA to demonstrate that the conditions have been fulfilled. - Reviewing the tax provisions prepared by management and requesting management to confirm their tax provisions with their tax agent. Based on our audit procedures carried out, we found that the said subsidiaries have complied with the conditions imposed by MIDA and the computation of tax provision to be reasonable.

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 that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 of 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 Company to cease to continue as a going concern.

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

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

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.

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

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, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act,

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and

(c) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton
No. AF: 0042
Chartered Accountants

John Lau Tiang Hua
No. 1107/03/18 (J)
Chartered Accountant

Date: 20 April 2017

Penang

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		GROUP		COMPANY	
		2016	2015	**2016**	2015
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**43,418,337**	42,042,482	**893**	1,531
Investment in subsidiaries	**5**	**-**	-	**27,973,822**	27,973,822
Intangible assets	**6**	**5,304,127**	10,856,140	**-**	-
		48,722,464	52,898,622	**27,974,715**	27,975,353
Current assets					
Inventories	**7**	**17,617,249**	6,543,349	**-**	-
Trade receivables	**8**	**36,441,779**	15,905,629	**-**	-
Other receivables, deposits and prepayments	**9**	**6,854,343**	5,818,756	**326,590**	2,292,944
Amount due from subsidiaries	**10**	**-**	-	**14,396,994**	8,683,287
Derivative financial assets	**11**	**-**	5,900	**-**	-
Tax recoverable		**429,357**	188	**-**	148
Investment securities	**12**	**2,562,828**	-	**-**	-
Cash and cash equivalents	**13**	**30,843,370**	15,382,118	**4,346,372**	3,534,177
		94,748,926	43,655,940	**19,069,956**	14,510,556
TOTAL ASSETS		**143,471,390**	96,554,562	**47,044,671**	42,485,909
EQUITY AND LIABILITIES					
Share capital	**14**	**73,283,667**	68,620,175	**73,283,667**	68,620,175
Share premium	**15**	**6,019,703**	5,544,700	**6,019,703**	5,544,700
Retained profits/(Accumulated losses)		**28,893,085**	1,864,666	**(32,676,793)**	(32,630,437)
		108,196,455	76,029,541	**46,626,577**	41,534,438
Non-controlling interests		**3,977,807**	1,821,385	**-**	-
Total equity		**112,174,262**	77,850,926	**46,626,577**	41,534,438
Non-current liabilities					
Finance lease liabilities	**16**	**269,238**	141,388	**-**	-
Deferred income	**17**	**450,420**	1,130,697	**-**	-
Deferred tax liabilities	**18**	**-**	2,505,000	**-**	-
		719,658	3,777,085	**-**	-
Current liabilities					
Trade payables	**19**	**10,278,514**	4,520,478	**-**	-
Other payables, accruals and provision	**20**	**16,569,212**	9,169,958	**418,078**	951,471
Derivative financial liabilities	**11**	**3,526,936**	198,960	**-**	-
Finance lease liabilities	**16**	**177,906**	101,219	**-**	-
Provision for taxation		**24,902**	935,936	**16**	-
		30,577,470	14,926,551	**418,094**	951,471
		31,297,128	18,703,636	**418,094**	951,471
TOTAL EQUITY AND LIABILITIES		**143,471,390**	96,554,562	**47,044,671**	42,485,909

The notes set out on pages 49 to 98 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
	NOTE	**2016 RM**	2015 RM	**2016 RM**	2015 RM
Revenue	21	**151,938,453**	83,603,848	**5,420,000**	3,833,000
Cost of goods sold		**(103,469,169)**	(59,288,729)	**-**	-
Gross profit		**48,469,284**	24,315,119	**5,420,000**	3,833,000
Other income		**5,393,717**	3,769,270	**177,845**	25,846
Distribution costs		**(2,959,495)**	(2,209,292)	**-**	-
Administrative expenses		**(21,837,605)**	(10,813,460)	**(5,554,793)**	(14,074,562)
Other operating expenses		**(133,879)**	(369,648)	**(18,400)**	(77,042)
Operating profit/(loss)		**28,932,022**	14,691,989	**24,652**	(10,292,758)
Finance costs		**(93,731)**	(9,786)	**(70,882)**	-
Profit/(Loss) before taxation	22	**28,838,291**	14,682,203	**(46,230)**	(10,292,758)
Taxation	23	**746,550**	(2,391,851)	**(126)**	-
Profit/(Loss) for the financial year		**29,584,841**	12,290,352	**(46,356)**	(10,292,758)
Other comprehensive loss					
Item that will be reclassified subsequently to profit and loss:					
Currency translation differences on foreign operations		**-**	(59,630)	**-**	-
Total comprehensive income/(loss) for the financial year		**29,584,841**	12,230,722	**(46,356)**	(10,292,758)
Profit/(Loss) attributable to:					
Owners of the Company		**27,028,419**	11,953,018	**(46,356)**	(10,292,758)
Non-controlling interests		**2,556,422**	337,334	**-**	-
		29,584,841	12,290,352	**(46,356)**	(10,292,758)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**27,028,419**	11,893,388	**(46,356)**	(10,292,758)
Non-controlling interests		**2,556,422**	337,334	**-**	-
		29,584,841	12,230,722	**(46,356)**	(10,292,758)
Earnings per share attributable to owners of the Company (Sen):-					
- Basic/Diluted		**18.76**	8.97		

The notes set out on pages 49 to 98 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	Share Capital RM	Share Premium RM	Exchange Fluctuation Reserves RM	Retained profits/ (Accumulated Losses) RM	Total RM	Non-Controlling Interests RM	Total Equity RM
		|---------------- Attributable to Owners of the Company			-------------|			
			|----Non-distributable----|		|-Distributable-|			
GROUP								
2016								
Balance at beginning		**68,620,175**	**5,544,700**	**-**	**1,864,666**	**76,029,541**	**1,821,385**	**77,850,926**
Total comprehensive income for the financial year		**-**	**-**	**-**	**27,028,419**	**27,028,419**	**2,556,422**	**29,584,841**
Transactions with owners:								
Issuance of shares, at premium	**14/15**	**4,663,492**	**475,003**	**-**	**-**	**5,138,495**	**-**	**5,138,495**
Dividend to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**(400,000)**	**(400,000)**
		4,663,492	**475,003**	**-**	**-**	**5,138,495**	**(400,000)**	**4,738,495**
Balance at end		**73,283,667**	**6,019,703**	**-**	**28,893,085**	**108,196,455**	**3,977,807**	**112,174,262**
2015								
Balance at beginning		66,621,525	4,865,159	59,630	(10,088,352)	61,457,962	1,484,051	62,942,013
Total comprehensive income for the financial year:								
Profit for the financial year		-	-	-	11,953,018	11,953,018	337,334	12,290,352
Foreign currency translation differences on foreign operations		-	-	(59,630)	-	(59,630)	-	(59,630)
		-	-	(59,630)	11,953,018	11,893,388	337,334	12,230,722
Transaction with owners:								
Issuance of shares, at premium	14/15	1,998,650	679,541	-	-	2,678,191	-	2,678,191
Balance at end		68,620,175	5,544,700	-	1,864,666	76,029,541	1,821,385	77,850,926

The notes set out on pages 49 to 98 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	Share Capital RM	Non-distributable Share Premium RM	Accumulated Losses RM	Total Equity RM
2016					
Balance at beginning		**68,620,175**	**5,544,700**	**(32,630,437)**	**41,534,438**
Total comprehensive loss for the financial year		**-**	**-**	**(46,356)**	**(46,356)**
Transaction with owners:					
Issuance of shares, at premium	**14/15**	**4,663,492**	**475,003**	**-**	**5,138,495**
Balance at end		**73,283,667**	**6,019,703**	**(32,676,793)**	**46,626,577**
2015					
Balance at beginning		66,621,525	4,865,159	(22,337,679)	49,149,005
Total comprehensive loss for the financial year		-	-	(10,292,758)	(10,292,758)
Transaction with owners:					
Issuance of shares, at premium	14/15	1,998,650	679,541	-	2,678,191
Balance at end		68,620,175	5,544,700	(32,630,437)	41,534,438

The notes set out on pages 49 to 98 form an integral part of these financial statements.

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	**28,838,291**	14,682,203	**(46,230)**	(10,292,758)
Adjustments for:				
Amortisation of intangible assets	**5,515,876**	1,845,018	**-**	-
Bad debts	**-**	5,865	**-**	-
Deferred income released	**(1,047,952)**	(818,871)	**-**	-
Fair value gain on investment securities	**(529,228)**	-	**-**	-
Depreciation	**2,839,788**	2,591,209	**630**	630
Gain from bargain purchase of a subsidiary	**-**	(2,595,407)	**-**	-
(Gain)/Loss on disposal of property, plant and equipment	**(37,733)**	41,921	**(26,885)**	-
Loss/(Gain) from changes in fair value of foreign currency forward contracts	**3,333,876**	(1,112,815)	**-**	-
Loss on disposal of investment in subsidiaries	**-**	217,142	**-**	9,117,900
Loss on disposal of other investment	**-**	24,298	**-**	24,298
Intangible assets written off	**508,134**	10	**-**	-
Interest expense	**93,731**	9,786	**70,882**	-
Interest income	**(433,477)**	(163,057)	**(150,959)**	(25,806)
Inventories written down - addition	**33,566**	298,804	**-**	-
- reversal	**(8,462)**	(11,079)	**-**	-
Impairment loss on receivables - addition	**469,400**	372,997	**-**	-
- reversal	**-**	(36,000)	**-**	-
Property, plant and equipment written off	**6**	16,600	**6**	1
Provision for warranty - current year	**165,000**	17,000	**-**	-
- reversal	**(7,000)**	(92,000)	**-**	-
Unrealised gain on foreign exchange	**(1,076,340)**	(796,130)	**-**	-
Operating profit/(loss) before working capital changes	**38,657,476**	14,497,494	**(152,556)**	(1,175,735)
(Increase)/Decrease in inventories	**(11,099,004)**	1,479,837	**-**	-
(Increase)/Decrease in receivables	**(20,264,352)**	(5,412,746)	**1,966,354**	(2,261,297)
Increase/(Decrease) in payables	**12,996,346**	(1,471,679)	**(533,393)**	15,524
Net changes in related companies' balances	**-**	-	**(5,713,707)**	3,114,859
Cash generated from/(used in) operations	**20,290,466**	9,092,906	**(4,433,302)**	(306,649)
Government grants received	**367,675**	-	**-**	-
Interest paid	**(93,731)**	(9,786)	**(70,882)**	-
Tax paid	**(3,098,801)**	(1,198,292)	**(110)**	(148)
Tax refunded	**148**	1,640	**148**	530
Net cash from/(used in) operating activities/ Balance carried forward	**17,465,757**	7,886,468	**(4,504,146)**	(306,267)

The notes set out on pages 49 to 98 form an integral part of these financial statements.

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Balance brought forward	**17,465,757**	7,886,468	**(4,504,146)**	(306,267)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	**-**	-	**-**	(5,780,000)
Net cash outflow from acquisition of a subsidiary (Note 5)	**-**	(5,778,928)	**-**	-
Net cash inflow from disposal of subsidiaries (Note 5)	**-**	3,810,591	**-**	-
Interest received	**433,477**	163,057	**150,959**	25,806
Development expenditure paid	**-**	(504,098)	**-**	-
Proceeds from disposal of property, plant and equipment	**37,736**	330,980	**26,887**	-
Proceeds from disposal of investment in subsidiaries	**-**	-	**-**	5,000,000
Proceeds from disposal of other investment	**-**	1,335,602	**-**	1,335,602
Purchase of computer software	**(471,997)**	(205,943)	**-**	-
Purchase of property, plant and equipment *	**(3,815,652)**	(3,080,204)	**-**	-
Purchase of investment securities	**(2,033,600)**	-	**-**	-
Net cash (used in)/from investing activities	**(5,850,036)**	(3,928,943)	**177,846**	581,408
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to non-controlling interests	**(400,000)**	-	**-**	-
Payment of finance lease liabilities	**(195,463)**	(141,795)	**-**	-
Proceeds from issuance of shares	**5,138,495**	2,678,191	**5,138,495**	2,678,191
Net cash from financing activities	**4,543,032**	2,536,396	**5,138,495**	2,678,191
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,158,753**	6,493,921	**812,195**	2,953,332
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(697,501)**	505,809	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING	**15,382,118**	8,382,388	**3,534,177**	580,845
CASH AND CASH EQUIVALENTS AT END	**30,843,370**	15,382,118	**4,346,372**	3,534,177
* **Purchase of property, plant and equipment**				
Total acquistion cost	**4,215,652**	3,080,204	**-**	-
Acquired under finance lease liabilities	**(400,000)**	-	**-**	-
Total cash acquisition	**3,815,652**	3,080,204	**-**	-

The notes set out on pages 49 to 98 form an integral part of these 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 20 April 2017.

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 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year unless as otherwise stated in Note 5 to the financial statements.

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, 1965 in Malaysia.

2.2 Basis of Measurement

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

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 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 economic best 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 Group's and the Company's functional currency.

2.4 Adoption of 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 2016
MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
Amendments to MFRS 127 Equity Method in Separate Financial Statements
Annual Improvements to MFRS 2012-2014 Cycle

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

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2017
Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 2014-2016 Cycle)
Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives
Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

2. BASIS OF PREPARATION (CONT'D)

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

Effective for annual periods beginning on or after 1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 140 Investment Property: Transfer of Investment Property
Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)
IC Int 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019
MFRS 16 Leases

Effective date yet to be confirmed
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 replaces *MFRS 139 Financial Instruments: Recognition and Measurement* and all previous version of *MFRS 9*. This new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of *MFRS 9*, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of *MFRS 9*, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's investment in unquoted shares, if any, will be measured at fair value through other comprehensive income.

The adoption of *MFRS 9* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 9*.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC Int 13 Customer Loyalty Programmes*, *IC Int 15 Agreements for Construction of Real Estate*, *IC Int 18 Transfers of Assets from Customers* and *IC Int 131 Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of *MFRS 15*, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of *MFRS 15* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 15*.

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (e.g., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under *MFRS 117*. Lessors will continue to classify all leases using the same classification principle in *MFRS 117* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Company are currently assessing the financial impact of adopting *MFRS 16*.

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure to be provided by the Group and the Company.

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. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

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:

Classification of leasehold land

In applying the classification of leases in *MFRS 117*, management considers the leases of leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, in accordance with *MFRS 117 Leases*.

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.

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

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

(iii) **Deferred tax assets**

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

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)**

(iii) **Deferred tax assets (cont'd)**

Assumptions about generation of future taxable income depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required on the application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the financial statements and the amount of unrecognised tax losses and unrecognised temporary differences.

(iv) **Impairment of loans and receivables**

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

(v) **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.

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 investments 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 or as an available-for-sale financial asset depending on the level of influence retained.

(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.

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

3.2 Property, Plant and Equipment

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

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

Leasehold land and 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:

Machineries and equipment	10% - 33.33%
Furniture, fittings and office equipment	10% - 18%
Computers	20% - 50%
Electrical installation	10%
Motor vehicles	18% - 20%

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

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

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

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

3.3 Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

Finance Lease

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

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

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

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

Operating Leases

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

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

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

3.4 Intangible Assets

Project Management Right

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

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

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

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

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

3.4 **Intangible Assets (cont'd)**

Research and Development

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

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

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

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

Computer software

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

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

3.5 **Impairment of Non-Financial Assets**

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 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.

3.7 Financial Instruments

3.7.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.7.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(i) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.2 Financial instrument categories and subsequent measurement (cont'd)

(ii) **Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(iii) **Fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than financial liabilities categorised as fair value through profit or loss.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3.7.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.4 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.

3.7.5 Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.7.6 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.

3.8 Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Cash and Cash Equivalents

Cash comprises 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.

3.10 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.

3.11 Provision for Liabilities and Warranty Costs

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

3.12 Income Recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from sales of goods is recognised upon transfer of risks and rewards of ownership to the buyer of the goods, based on invoiced value, net of discounts and returns.

Revenue from rendering of services

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

Project management fee

Project management fee is recognised based on the stage of completion by reference to surveys of work performed.

Dividend income

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

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 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 Company incurred in connection with the borrowing of funds.

3.14 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 as incurred.

3.15 Income Tax

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Goods and Services Tax

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

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

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

- receivables and payables that are stated with GST inclusive.

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

3.17 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.

3.18 Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued. Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of unappropriated profits and recognised as a liability in the period in which they are declared.

Share premium includes any premiums received upon issuance of share capital.

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

3.19 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

3.21 Related Parties

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

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

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or 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	Machineries and equipment RM	Furniture, fittings and office equipment RM	Computers RM	Electrical installation RM	Motor vehicles RM	Capital expenditure in progress RM	Total RM
2016									
At cost									
Balance at beginning	**3,689,959**	**43,590,661**	**15,461,276**	**2,039,777**	**1,940,941**	**2,325,464**	**2,946,955**	**1,003,098**	**72,998,131**
Additions	**-**	**183,000**	**1,174,421**	**29,381**	**609,333**	**-**	**714,870**	**1,504,647**	**4,215,652**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(120,041)**	**-**	**(120,041)**
Written off	**-**	**-**	**-**	**-**	**(12,637)**	**-**	**-**	**-**	**(12,637)**
Balance at end	**3,689,959**	**43,773,661**	**16,635,697**	**2,069,158**	**2,537,637**	**2,325,464**	**3,541,784**	**2,507,745**	**77,081,105**
Accumulated depreciation									
Balance at beginning	**878,928**	**8,679,720**	**13,190,990**	**1,920,983**	**1,578,522**	**2,103,501**	**2,603,005**	**-**	**30,955,649**
Current charge	**61,499**	**777,859**	**1,254,184**	**52,466**	**279,938**	**210,042**	**203,800**	**-**	**2,839,788**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(120,038)**	**-**	**(120,038)**
Written off	**-**	**-**	**-**	**-**	**(12,631)**	**-**	**-**	**-**	**(12,631)**
Balance at end	**940,427**	**9,457,579**	**14,445,174**	**1,973,449**	**1,845,829**	**2,313,543**	**2,686,767**	**-**	**33,662,768**
Carrying amount	**2,749,532**	**34,316,082**	**2,190,523**	**95,709**	**691,808**	**11,921**	**855,017**	**2,507,745**	**43,418,337**
2015									
At cost									
Balance at beginning	3,689,959	43,093,476	15,565,171	3,565,262	1,864,008	2,325,464	3,118,253	-	73,221,593
Acquisition of a subsidiary	-	-	-	4,815	4,968	-	230,400	-	240,183
Additions	-	497,185	889,870	170,519	311,275	-	208,257	1,003,098	3,080,204
Disposals	-	-	(52,310)	(388,406)	-	-	(609,955)	-	(1,050,671)
Disposal of subsidiaries	-	-	(10,419)	(1,145,985)	(4,954)	-	-	-	(1,161,358)
Written off	-	-	(931,036)	(166,428)	(234,356)	-	-	-	(1,331,820)
Balance at end	3,689,959	43,590,661	15,461,276	2,039,777	1,940,941	2,325,464	2,946,955	1,003,098	72,998,131
Accumulated depreciation									
Balance at beginning	817,429	7,910,540	13,029,554	3,300,721	1,691,090	1,874,642	2,778,348	-	31,402,324
Current charge	61,499	769,180	1,122,436	112,718	125,325	228,859	171,192	-	2,591,209
Disposals	-	-	(37,975)	(293,260)	-	-	(346,535)	-	(677,770)
Disposal of subsidiaries	-	-	(883)	(1,040,433)	(3,578)	-	-	-	(1,044,894)
Written off	-	-	(922,142)	(158,763)	(234,315)	-	-	-	(1,315,220)
Balance at end	878,928	8,679,720	13,190,990	1,920,983	1,578,522	2,103,501	2,603,005	-	30,955,649
Carrying amount	2,811,031	34,910,941	2,270,286	118,794	362,419	221,963	343,950	1,003,098	42,042,482

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

COMPANY

	Computers RM	Motor vehicles RM	Total RM
2016			
At cost			
Balance at beginning	**15,787**	**73,665**	**89,452**
Disposal	**-**	**(73,665)**	**(73,665)**
Written off	**(12,637)**	**-**	**(12,637)**
Balance at end	**3,150**	**-**	**3,150**
Accumulated depreciation			
Balance at beginning	**14,258**	**73,663**	**87,921**
Current charge	**630**	**-**	**630**
Disposal	**-**	**(73,663)**	**(73,663)**
Written off	**(12,631)**	**-**	**(12,631)**
Balance at end	**2,257**	**-**	**2,257**
Carrying amount	**893**	**-**	**893**
2015			
At cost			
Balance at beginning	17,201	73,665	90,866
Written off	(1,414)	-	(1,414)
Balance at end	15,787	73,665	89,452
Accumulated depreciation			
Balance at beginning	15,041	73,663	88,704
Current charge	630	-	630
Written off	(1,413)	-	(1,413)
Balance at end	14,258	73,663	87,921
Carrying amount	1,529	2	1,531

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

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

	GROUP	
	2016	2015
	RM	RM
Motor vehicles	**594,063**	172,800

5. **INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2016	2015
	RM	RM
Unquoted shares, at cost		
Balance at beginning	**28,473,821**	53,533,006
Additions	**-**	5,780,000
Disposal	**-**	(30,839,185)
	28,473,821	28,473,821
Less: Accumulated impairment loss		
Balance at beginning	**(499,999)**	(17,221,284)
Disposal	**-**	16,721,285
	(499,999)	(499,999)
	27,973,822	27,973,822

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

Name of Company	Effective Equity Interest 2016	Effective Equity Interest 2015	Principal Activities
Direct			
Pentamaster Technology (M) Sdn. Bhd.	**100%**	100%	Design, assembly, installation of computerised automation systems and equipment.
Pentamaster Smart Solution Sdn. Bhd.	**100%**	100%	Designing and manufacturing of smart control solution systems.
Pentamaster Instrumentation Sdn. Bhd.	**60%**	60%	Designing and manufacturing of automated testing equipment and test and measurement system.
Pentamaster Equipment Manufacturing Sdn. Bhd.	**100%**	100%	Equipment design and manufacturing services and manufacturing of high precision machine parts.

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

(i) Details of the subsidiaries which were all incorporated in Malaysia are as follows (cont'd):

Name of Company	Effective Equity Interest 2016	Effective Equity Interest 2015	Principal Activities
Direct			
Origo Ventures (M) Sdn. Bhd. (iii)	**100%**	100%	Property project management activities.
Pentamaster Engineering (M) Sdn. Bhd. (iv)	**Nil**	Nil	Disposed of in 2015.
Pentamaster Solutions Sdn. Bhd. (iv)	**Nil**	Nil	Disposed of in 2015.

(ii) Non-controlling interests in a subsidiary

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

	Pentamaster Instrumentation Sdn. Bhd. 2016 RM	Pentamaster Instrumentation Sdn. Bhd. 2015 RM
NCI percentage of ownership interest and voting interest	**40%**	40%
Carrying amount of NCI	**3,977,807**	1,821,385
Profit allocated to NCI	**2,556,422**	337,334
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	**269,007**	491,043
Current assets	**12,566,843**	5,310,322
Non-current liabilities	**(69,436)**	(230,309)
Current liabilities	**(2,821,920)**	(1,017,618)
Net assets	**9,944,494**	4,553,438
Year ended 31 December		
Revenue	**14,959,652**	6,095,559
Profit after tax, representing total comprehensive income for the financial year	**6,391,056**	843,336
Summary of cash flows for the financial year ended 31 December		
Net cash from operating activities	**5,693,932**	1,133,585
Net cash from investing activities	**1,213,904**	1,019,402
Net cash used in financing activities	**(953,880)**	(205,050)
Net cash inflow for the financial year	**5,953,956**	1,947,937

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

(iii) Acquisition of a subsidiary

2015

On 30 September 2015, the Company completed the acquisition of 2 ordinary shares of RM1 each in Origo Ventures (M) Sdn. Bhd. ("OVSB"), representing 100% of the issued and paid-up share capital of OVSB for a cash consideration of RM5,780,000 making OVSB a wholly owned subsidiary of the Company.

The fair value of OVSB's identifiable assets acquired and liabilities assumed on acquisition date are as follows:-

	Fair value RM	Carrying amount RM
Assets		
Project management right	9,000,000	-
Property, plant and equipment	240,183	240,183
Receivables	2,468,669	2,468,669
Cash in hand	1,072	1,072
	11,709,924	2,709,924
Liabilities		
Payables	3,138,523	3,138,523
Borrowings	195,994	195,994
	3,334,517	3,334,517
Net assets/(liabilities)	8,375,407	(624,593)

Net cash outflow arising from acquisition of a subsidiary

	RM
Purchase consideration settled in cash	5,780,000
Less: Cash in hand	(1,072)
	5,778,928

Bargain purchase arising from acquisition:

	RM
Total cash consideration transferred	5,780,000
Less : Fair value of net identifiable assets and liabilities	(8,375,407)
Bargain purchase recognised in profit and loss	(2,595,407)

Acquisition-related costs

The Group incurred acquisition-related costs amounting to RM30,000 in relation to external fee paid to professional valuers. The expenses have been included in other operating expenses in the profit or loss.

Impact of the acquisition on the consolidated statement of comprehensive income

From the date of acquisition, OVSB has contributed RM2,830,189 and RM2,033,857 to the Group's revenue and profit for the financial year respectively. If the business combination had taken place at the beginning of the financial year, the Group's revenue and profit for the year would have been increased by RM2,830,189 and RM1,667,287 respectively.

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

(iv) Disposal of subsidiaries

2015

On 23 July 2015, the Company disposed of its entire equity interest in Pentamaster Engineering (M) Sdn. Bhd. and Pentamaster Solutions Sdn. Bhd. to GEMS-Asia Emerging Technology Fund LP for a total cash consideration of RM5,000,000.

The effects of the disposal of both entities on the financial position of the Group as at the date of disposal are as follows:-

	RM
Property, plant and equipment	116,464
Intangible assets	819,853
Deferred tax assets	650,000
Inventories	2,794,290
Trade and other receivables	8,766,072
Cash and bank balances	1,189,409
Trade and other payables	(9,118,946)
Net assets	5,217,142
Loss on disposal of subsidiaries	(217,142)
Proceeds from disposal of subsidiaries	5,000,000
Less: Cash and cash balances disposed	(1,189,409)
Net cash inflows from disposal of subsidiaries	3,810,591

6. **INTANGIBLE ASSETS**

	GROUP	
	2016	2015
	RM	RM
Project management right (Note 6.1)	**4,100,106**	8,496,000
Development expenditure (Note 6.2)	**699,432**	1,726,660
Computer software acquired (Note 6.3)	**504,589**	633,480
	5,304,127	10,856,140

6. INTANGIBLE ASSETS (CONT'D)

6.1 Project management right

	GROUP 2016 RM	GROUP 2015 RM
At cost		
Balance at beginning	**9,000,000**	-
Arising from acquisition of a subsidiary	**-**	9,000,000
Balance at end	**9,000,000**	9,000,000
Accumulated Amortisation		
Balance at beginning	**504,000**	-
Current year	**4,395,894**	504,000
Balance at end	**4,899,894**	504,000
Carrying amount	**4,100,106**	8,496,000

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 which is estimated to complete by 31 December 2016. During the financial year, the property developer had obtained approval from the Ministry of Housing and Local Government, Malaysia for extension of time to complete the construction of the development project in the state of Kelantan, in lieu of the natural disaster that occurred at the end of 2014. The project is now expected to complete within the financial year ending 31 December 2017.

6.2 Development expenditure

	GROUP 2016 RM	GROUP 2015 RM
At cost		
Balance at beginning	**20,093,189**	22,399,060
Additions	**-**	504,098
Disposal of subsidiaries	**-**	(2,809,969)
Written off	**(846,890)**	-
Balance at end	**19,246,299**	20,093,189
Accumulated Amortisation		
Balance at beginning	**14,776,529**	15,909,964
Current year	**519,094**	856,681
Disposal of subsidiaries	**-**	(1,990,116)
Written off	**(338,756)**	-
Balance at end	**14,956,867**	14,776,529
Impairment loss	**3,590,000**	3,590,000
Carrying amount	**699,432**	1,726,660

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

(ii) The development expenditure written off relates to two models that did not meet the expected demand set by management.

6. INTANGIBLE ASSETS (CONT'D)

6.3 Computer software acquired

	GROUP	
	2016	2015
	RM	RM
At cost		
Balance at beginning	**2,589,953**	2,582,062
Additions	**471,997**	205,943
Written off	**-**	(198,052)
Balance at end	**3,061,950**	2,589,953
Accumulated amortisation		
Balance at beginning	**1,956,473**	1,670,178
Current year	**600,888**	484,337
Written off	**-**	(198,042)
Balance at end	**2,557,361**	1,956,473
Carrying amount	**504,589**	633,480

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. INVENTORIES

	GROUP	
	2016	2015
	RM	RM
Raw materials	**998,341**	309,126
Work-in-progress	**16,218,870**	5,769,041
Finished goods	**400,038**	465,182
	17,617,249	6,543,349
Recognised in profit or loss:		
Inventories recognised as cost of sales	**98,162,571**	58,906,154
Write-down to net realisable value		
- Addition	**33,566**	298,804
- Reversal	**(8,462)**	(11,079)

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

8. TRADE RECEIVABLES

	GROUP 2016 RM	GROUP 2015 RM
Trade receivables	**37,147,229**	16,278,626
Less: Allowance for impairment loss		
Balance at beginning	**(372,997)**	(4,281,481)
Current year	**(469,400)**	(372,997)
Disposal of subsidiaries	**-**	2,864,361
Reversal due to recovery	**-**	36,000
Written off	**136,947**	1,381,120
Balance at end	**(705,450)**	(372,997)
	36,441,779	15,905,629

(i) The normal credit terms granted to trade receivables range from **30 to 90 days** (2015: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	GROUP 2016 RM	GROUP 2015 RM
Analysis by currencies:		
Ringgit Malaysia	**8,312,711**	8,501,018
US Dollar	**27,723,529**	7,097,557
Singapore Dollar	**405,539**	286,794
Euro	**-**	20,260
	36,441,779	15,905,629

(iii) Included under trade receivables is an amount of **RM91,517** (2015: RMNil) being retention sum relating to an ongoing smart building solutions project.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP 2016 RM	GROUP 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
Other receivables [(i)]	**3,611,590**	4,356,395	**305,300**	2,258,821
Refundable deposits	**424,783**	405,993	**3,900**	3,900
Non-refundable deposits [(ii)]	**1,574,162**	226,722	**-**	3,000
Prepayments	**196,607**	308,231	**17,390**	27,223
GST claimable	**1,047,201**	521,415	**-**	-
	6,854,343	5,818,756	**326,590**	2,292,944

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(i) Included in other receivables is an amount of **RM2,360,222** (2015: RM1,840,222) due from a related party, Maarij Development Sdn. Bhd.

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

10. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2016	2015
	RM	RM
Amount due from subsidiaries	**14,396,994**	8,683,287

The amount due from subsidiaries is non-trade related, unsecured, non-interest bearing and is repayable on demand.

11. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	GROUP	
	2016	2015
	RM	RM
Derivatives at fair value through profit or loss		
- Foreign currency forward contracts		
Notional value of contracts	**53,585,340**	9,819,900
Assets	**-**	5,900
Liabilities	**(3,526,936)**	(198,960)

The Group enters into forward exchange contracts to manage its exposure to sales and purchases transactions that are denominated in foreign currencies. Forward exchange 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 forward exchange 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.

12. INVESTMENT SECURITIES

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Available-for-sale financial assets:				
- Unquoted bonds in Malaysia, at cost	**3,500,000**	3,500,000	**3,500,000**	3,500,000
Less: Impairment loss	**(3,500,000)**	(3,500,000)	**(3,500,000)**	(3,500,000)
	-	-	**-**	-
- Unquoted shares outside Malaysia, at cost	**-**	1,359,900	**-**	1,359,900
Less: Disposed during the year	**-**	(1,359,900)	**-**	(1,359,900)
	-	-	**-**	-
Fair value through profit and loss:				
- Quoted shares outside Malaysia, at cost	**2,562,828**	-	**-**	-
	2,562,828	-	**-**	-

(i) 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 2017.

(ii) The quoted shares are denominated in Australian Dollar and it is held on behalf of the Group by a corporate consultancy firm.

13. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Cash and bank balances	**12,371,605**	11,956,800	**341,508**	3,534,177
Fixed deposits with a licensed bank	**7,396,070**	-	**4,004,864**	-
Short-term investment	**11,075,695**	3,425,318	**-**	-
	30,843,370	15,382,118	**4,346,372**	3,534,177

(i) The effective interest rate and maturity of the fixed deposits as at the end of the reporting period is 3.55% per annum and 1 month respectively.

(ii) The effective interest rate for the short-term investment is **3.57%** (2015: 3.58%) per annum and can be redeemed at any time upon notice being given to the financial institution. The short-term investment represents investment in unit trusts. The unit trusts invest in a mixture of money market instruments and fixed deposits with different maturity period.

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

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

	GROUP		COMPANY	
	2016 **RM**	2015 RM	**2016** **RM**	2015 RM
Ringgit Malaysia	**23,062,958**	11,176,604	**4,345,565**	3,534,177
US Dollar	**7,523,749**	4,021,690	**-**	-
Chinese Renminbi	**148,058**	63,546	**-**	-
Euro	**70,944**	25,225	**-**	-
Singapore Dollar	**30,058**	17,356	**-**	-
Others	**7,603**	77,697	**807**	-
	30,843,370	15,382,118	**4,346,372**	3,534,177

14. **SHARE CAPITAL**

	Number of ordinary shares of RM0.50 each		Amount	
	2016	2015	**2016** **RM**	2015 RM
Authorised:	**200,000,000**	200,000,000	**100,000,000**	100,000,000
Issued and fully paid:				
Balance at beginning	**137,240,350**	133,243,050	**68,620,175**	66,621,525
Cash allotment	**9,326,983**	3,997,300	**4,663,492**	1,998,650
Balance at end	**146,567,333**	137,240,350	**73,283,667**	68,620,175

During the financial year, the issued and paid-up ordinary share capital was increased from RM68,620,175 to RM73,283,667 through a private placement exercise which was first implemented in the last financial year, and continued into this financial year involving issuance of shares at different tranches as follows:

(i) Issuance of 5,329,700 new ordinary shares of RM0.50 each at an issue price of RM0.546 per ordinary shares (2nd tranche),
(ii) Issuance of 1,997,283 new ordinary shares of RM0.50 each at an issue price of RM0.56 per ordinary shares (3rd tranche), and
(iii) Issuance of 2,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.555 per ordinary shares (4th tranche).

Following the issuance of the 4th tranche, the private placement exercise involving the placement of a total 13,324,283 new ordinary shares of RM0.50 was completed.

15. SHARE PREMIUM

	GROUP AND COMPANY	
	2016	2015
	RM	RM
Balance at beginning	**5,544,700**	4,865,159
Premium arising from placement shares (Note 14)	**475,003**	679,541
Balance at end	**6,019,703**	5,544,700

16. FINANCE LEASE LIABILITIES

	GROUP	
	2016	2015
	RM	RM
Minimum payments:		
Within one year	**195,792**	109,182
More than one year and less than two years	**195,792**	51,936
More than two years and less than five years	**83,545**	99,525
	475,129	260,643
Future finance charges	**(27,985)**	(18,036)
Carrying amount at end	**447,144**	242,607
Analysed as:		
Non-current liabilities	**269,238**	141,388
Current liabilities	**177,906**	101,219
Carrying amount at end	**447,144**	242,607

The effective interest rate of the finance lease liabilities is **4.80% to 5.00%** (2015: 4.49% to 4.81%) per annum and is secured over the leased assets.

17. DEFERRED INCOME

	GROUP	
	2016	2015
	RM	RM
Balance at beginning	**1,130,697**	1,949,568
Received during the year	**367,675**	-
Released to profit or loss	**(1,047,952)**	(818,871)
Balance at end	**450,420**	1,130,697

Deferred income represents government grants received by certain subsidiaries for reimbursements of development expenditure and capital expenditure on modernisation of specified machineries and equipment. Deferred income are released to profit or loss over the periods to match the related cost which the grants are intended to compensate, on a systematic basis.

18. DEFERRED TAX LIABILITIES

	GROUP	
	2016	2015
	RM	RM
Deferred tax assets:		
Balance at beginning	**-**	650,000
Disposal of subsidiaries	**-**	(650,000)
Balance at end	**-**	-
Deferred tax liabilities:		
Balance at beginning	**2,505,000**	2,050,000
Recognised in profit or loss	**(2,649,553)**	394,400
Under provision in prior year	**144,553**	60,600
Balance at end	**-**	2,505,000

Deferred tax liabilities are attributable to the following:

	GROUP	
	2016	2015
	RM	RM
Liabilities		
Property, plant and equipment	-	(2,213,000)
Others	-	(292,000)
	-	(2,505,000)

19. TRADE PAYABLES

The currency profile of trade payables balances is as follows:

	GROUP	
	2016	2015
	RM	RM
Analysis by currencies:		
Ringgit Malaysia	**7,424,645**	3,904,920
US Dollar	**2,661,473**	594,177
Singapore Dollar	**167,580**	21,381
Others	**24,816**	-
	10,278,514	4,520,478

The normal credit terms granted by trade payables range from **30 to 120 days** (2015: 30 to 120 days).

20. OTHER PAYABLES, ACCRUALS AND PROVISION

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Other payables [(i)]	**2,468,400**	3,496,388	**5,773**	14,356
Deposits received [(ii)]	**9,473,600**	149,754	**-**	-
Accruals	**4,333,382**	5,229,198	**332,053**	894,071
Provision for warranty	**195,000**	37,000	**-**	-
GST payable	**98,830**	257,618	**80,252**	43,044
	16,569,212	9,169,958	**418,078**	951,471

(i) Included in other payables is an amount of **RM25,000** (2015: RMNil) due to a company in which a person connected to a director of the Company has substantial financial interest.

(ii) This is in respect of deposits received from customers upon placing sales orders.

21. REVENUE

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Invoiced value of goods sold less returns and discounts	**135,840,771**	77,901,909	**-**	-
Trading of construction materials	**5,029,805**	-	**-**	-
Services rendered	**10,146,877**	5,432,939	**-**	-
Management fee	**921,000**	269,000	**4,820,000**	3,833,000
Dividend income	**-**	-	**600,000**	-
	151,938,453	83,603,848	**5,420,000**	3,833,000

During the financial year, a subsidiary of the Group procured and sold construction materials to the development project in which it is managing as part of its scope as the project manager.

22. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
After charging:				
Amortisation of intangible assets:				
- computer software	**600,888**	484,337	**-**	-
- development expenditure	**519,094**	856,681	**-**	-
- project management right	**4,395,894**	504,000	**-**	-

22. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Auditors' remuneration				
- statutory audit	**97,000**	102,558	**26,000**	31,000
- other services	**3,000**	6,000	**3,000**	6,000
Bad debts	**-**	5,865	**-**	-
Depreciation	**2,839,788**	2,591,209	**630**	630
Directors' fees				
- executive directors				
- current year	**72,000**	96,000	**72,000**	96,000
- over provision in prior year	**(24,000)**	-	**(24,000)**	-
- non-executive director	**144,000**	144,000	**144,000**	144,000
- past director	**-**	12,000	**-**	12,000
Impairment loss on receivables				
- addition	**469,400**	372,997	**-**	-
- reversal	**-**	(36,000)	**-**	-
Intangible assets written off	**508,134**	10	**-**	-
Interest expense	**93,731**	9,786	**70,882**	-
Inventories written down to net realisable value				
- addition	**33,566**	298,804	**-**	-
- reversal	**(8,462)**	(11,079)	**-**	-
Loss from changes in fair value of foreign currency forward contracts	**3,333,876**	-	**-**	-
Loss on disposal of other investment	**-**	24,298	**-**	24,298
Loss on disposal of investment in subsidiaries	**-**	217,142	**-**	9,117,900
Loss on disposal of property, plant and equipment	**-**	41,921	**-**	-
Net loss on foreign exchange - realised	**-**	117,990	**-**	-
Property, plant and equipment written off	**6**	16,600	**6**	1
Provision for warranty				
- current year	**165,000**	17,000	**-**	-
- reversal	**(7,000)**	(92,000)	**-**	-
Rental of hostel	**168,926**	117,369	**-**	-
Rental of office	**52,475**	25,285	**18,000**	18,000
Rental of plant and equipment	**6,840**	11,460	**6,840**	6,960
Rental of premises	**-**	-	**265,248**	213,546

22. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
* Staff cost	**25,819,222**	22,381,233	**4,291,166**	5,338,763
And crediting:				
Fair value gain on investment securities	**529,228**	-	**-**	-
Gain from bargain purchase of a subsidiary	**-**	2,595,407	**-**	-
Deferred income released	**1,047,952**	818,871	**-**	-
Gain on disposal of property, plant and equipment	**37,733**	-	**26,885**	-
Gain from changes in fair value of foreign currency forward contracts	**-**	1,112,815	**-**	-
Interest income	**433,477**	163,057	**150,959**	25,806
Net gain on foreign exchange				
- realised	**2,256,419**	-	**-**	-
- unrealised	**1,076,340**	796,130	**-**	-
* Staff costs are analysed as follows:				
- Salaries, allowances, commission and bonus	**23,000,765**	19,848,496	**3,821,900**	4,760,679
- EPF	**2,573,325**	2,318,381	**458,090**	568,219
- SOCSO	**245,132**	214,356	**11,176**	9,865
	25,819,222	22,381,233	**4,291,166**	5,338,763

Directors' emoluments

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**2,152,582**	2,534,170	**1,762,582**	1,629,976
- EPF	**258,318**	304,118	**211,518**	195,610
	2,410,900	2,838,288	**1,974,100**	1,825,586
- Benefit-in-kind	**23,392**	15,628	**23,392**	15,628
	2,434,292	2,853,916	**1,997,492**	1,841,214
Non-Executive:				
- Allowances	**15,000**	17,500	**15,000**	17,500
	2,449,292	2,871,416	**2,012,492**	1,858,714

23. TAXATION

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	**(1,752,752)**	(1,948,316)	**(126)**	-
- Deferred tax				
Relating to origination and reversal of temporary differences	**2,649,553**	(394,400)	**-**	-
	896,801	(2,342,716)	**(126)**	-
(Under)/Over provision in prior year				
- Current tax	**(5,698)**	11,465	**-**	-
- Deferred tax	**(144,553)**	(60,600)	**-**	-
	(150,251)	(49,135)	**-**	-
	746,550	(2,391,851)	**(126)**	-

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Profit/(Loss) before taxation	**28,838,291**	14,682,203	**(46,230)**	(10,292,758)
Income tax at Malaysian statutory tax rate of **24%** (2015: 25%)	**(6,921,190)**	(3,670,551)	**11,095**	2,573,190
Income not subject to tax	**354,742**	1,418,474	**150,453**	600,000
Exempt pioneer income (i)	**6,116,493**	384,437	**-**	-
Expenses not deductible for tax purposes	**(1,264,014)**	(720,252)	**(69,674)**	(2,972,082)
Deferred tax movement not recognised	**(560,240)**	(757,910)	**(92,000)**	(201,108)
Reversal of deferred tax (ii)	**1,896,010**	-	**-**	-
Tax effects of expenses available for double deduction	**-**	30,187	**-**	**-**
Utilisation of unabsorbed tax losses and capital allowances	**1,275,000**	928,856	**-**	**-**
Tax relief	**-**	25,000	**-**	**-**
Changes in tax rate	**-**	19,043	**-**	**-**
	896,801	(2,342,716)	**(126)**	-
Under provision in prior year	**(150,251)**	(49,135)	**-**	**-**
	746,550	(2,391,851)	**(126)**	**-**

(i) Certain subsidiaries of the Group have been granted pioneer status under the Promotion of Investments Act, 1986 by the Malaysian Industrial Development Authority which exempts 100% of statutory income in relation to production of certain products.

(ii) The deferred tax liability is reversed during the financial year as it is anticipated that the temporary differences will be reversed within the pioneer status period.

23. TAXATION (CONT'D)

(iii) The deferred tax (assets)/liabilities not recognised as at the end of the reporting period prior to set-off are as follows:

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Property, plant and equipment	**161,360**	343,600	**-**	-
Unabsorbed capital allowances	**(83,000)**	(80,000)	**(20,000)**	(20,000)
Unabsorbed tax losses	**(6,328,000)**	(7,396,000)	**(1,169,000)**	(1,076,000)
Others	**(131,000)**	37,000	**(3,000)**	(4,000)
	(6,380,640)	(7,095,400)	**(1,192,000)**	(1,100,000)

(iv) 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	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Unabsorbed capital allowances	**345,000**	320,000	**82,000**	82,000
Unabsorbed tax losses	**26,368,000**	29,584,000	**4,871,000**	4,482,000
	26,713,000	29,904,000	**4,953,000**	4,564,000

24. 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:

	2016	2015
Profit attributable to owners of the Company (RM)	**27,028,419**	11,953,018
Weighted average number of ordinary shares of RM0.50 each in issue	**144,072,187**	133,264,953
Basic earnings per share (sen)	**18.76**	8.97

(b) **Diluted**

There is no dilutive potential ordinary shares outstanding during the current and previous financial year as such no diluted earnings per share information is presented.

25. RELATED PARTY DISCLOSURES

(i) Related party transaction

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Project management income billed to Maarij Development Sdn. Bhd. ("MDSB")	**2,830,189**	2,830,189	**-**	-
Consulting charges billed by L3 Consulting Sdn. Bhd. ("L3SB")	**190,000**	185,000	**-**	-
Transactions with holding/ subsidiaries:				
- Dividend income	**-**	-	**600,000**	-
- Management fee income	**-**	-	**3,899,000**	3,564,000
- Rental expenses	**-**	-	**(265,248)**	(213,546)

Related party	**Relationship**
MDSB	A company in which a person connected to a director of the Company has substantial financial interest.
L3SB	A company in which a director of the Company has substantial financial interest.

(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	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Employees' salaries, allowances and bonus	**2,571,011**	2,888,324	**1,777,582**	1,647,476
Post employment benefits:-				
- EPF	**306,645**	344,449	**211,518**	195,610
	2,877,656	3,232,773	**1,989,100**	1,843,086
Analysed as:				
- Directors	**2,425,900**	2,855,788	**1,989,100**	1,843,086
- Other key management personnel	**451,756**	376,985	**-**	-
	2,877,656	3,232,773	**1,989,100**	1,843,086

26. CAPITAL COMMITMENT

	GROUP	
	2016	2015
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	**2,507,745**	4,012,392

The capital commitment is in respect of purchase of a piece of industrial leasehold land.

27. 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 Group's chief executive officer. The reportable segments are as follows:-

- Automated Equipment
  - Designing, development and manufacturing of standard and non-standard automated equipment.
- Automated Manufacturing Solution
  - Designing, development and installation of integrated automated manufacturing solutions.
- Smart Control Solution System
  - Project management and smart building solutions.

Inter-segment transactions have been accounted for on a basis that is consistent with the Group's accounting policies.

No other operating segments have been aggregated to form the above reportable segments. Investment holding activities are not considered as reporting segment and the related financial information has been included under "Adjustment".

The Group's executive directors monitor the performance of the business segments through regular discussions held with the segment managers and review of internal management reports. The performance of each business segment is evaluated based on the segment's profit or loss which is measured on a basis not significantly different from the profit or loss included in the consolidated financial statements.

27. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Automated Equipment RM	Automated Manufacturing Solution RM	Smart Control Solution System RM	Adjustment RM	Note	Total RM
2016						
Revenue						
External customers	101,695,090	40,124,557	9,197,806	921,000		151,938,453
Inter-segment revenue	2,126,695	3,903,814	112,775	(6,143,284)	A	-
Total revenue	103,821,785	44,028,371	9,310,581			151,938,453
Results						
Segment results	26,940,183	4,892,801	1,097,122	(4,431,561)		28,498,545
Interest income	240,362	39,814	2,342	150,959		433,477
Interest expense	(14,886)	-	(7,963)	(70,882)		(93,731)
Profit before taxation	27,165,659	4,932,615	1,091,501	(4,351,484)		28,838,291
Taxation	1,044,654	(1,793)	(296,185)	(126)		746,550
Profit for the financial year	28,210,313	4,930,822	795,316			29,584,841
Assets						
Segment assets	88,741,335	11,529,764	7,867,937	4,059,627		112,198,663
Tax recoverable	265,175	154	164,028			429,357
Cash and cash equivalents	22,104,485	4,193,755	198,758	4,346,372		30,843,370
Total assets	111,110,995	15,723,673	8,230,723			143,471,390
Liabilities						
Segment liabilities	34,998,229	4,729,310	5,341,064	(14,243,521)		30,825,082
Borrowings	305,756	-	141,388			447,144
Provision for taxation	24,886	-	-	16		24,902
Total liabilities	35,328,871	4,729,310	5,482,452			31,297,128
Other information						
Additions to non-current assets	4,243,801	430,170	13,678	-	B	4,687,649
Depreciation and amortisation	3,104,025	788,913	4,462,096	630		8,355,664
Non-cash items other than depreciation and amortisation	1,474,971	1,045,817	-	(717,521)	C	1,803,267

27. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Automated Equipment RM	Automated Manufacturing Solution RM	Smart Control Solution System RM	Adjustment RM	Note	Total RM
2015						
Revenue						
External customers	51,507,046	28,892,794	2,935,008	269,000		83,603,848
Inter-segment revenue	2,875,218	875,300	350	(3,750,868)	A	-
Total revenue	54,382,264	29,768,094	2,935,358			83,603,848
Results						
Segment results	9,679,586	2,916,461	1,973,570	(40,685)		14,528,932
Interest income	103,847	33,404	-	25,806		163,057
Interest expense	(7,436)	-	(2,350)	-		(9,786)
Profit before taxation	9,775,997	2,949,865	1,971,220	(14,879)		14,682,203
Taxation	(1,868,167)	(3,684)	(520,000)			(2,391,851)
Profit for the financial year	7,907,830	2,946,181	1,451,220			12,290,352
Assets						
Segment assets	58,649,641	8,221,851	5,707,623	8,593,141		81,172,256
Tax recoverable	-	-	40	148		188
Cash and cash equivalents	8,546,090	2,949,246	352,605	3,534,177		15,382,118
Total assets	67,195,731	11,171,097	6,060,268			96,554,562
Liabilities						
Segment liabilities	15,646,183	5,107,111	3,401,949	(9,135,150)		15,020,093
Borrowings	57,246	-	185,361			242,607
Provision for taxation	415,488	448	520,000			935,936
Deferred tax liabilities	2,505,000	-	-			2,505,000
Total liabilities	18,623,917	5,107,559	4,107,310			18,703,636
Other information						
Additions to non-current assets	3,748,893	1,131,362	9,251,603	(1,101,430)	B	13,030,428
Depreciation and amortisation	3,306,868	564,499	564,230	630		4,436,227
Non-cash items other than depreciation and amortisation	(2,613,767)	(257,708)	-	(1,596,190)	C	(4,467,665)

27. **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 and intangible assets.

C Other non-cash items consist of the following:

	GROUP	
	2016	2015
	RM	RM
Gain from bargain purchase of a subsidiary	**-**	(2,595,407)
Bad debts	**-**	5,865
Deferred income released	**(1,047,952)**	(818,871)
Fair value gain on investment securities	**(529,228)**	-
(Gain)/Loss on disposal of property, plant and equipment	**(37,733)**	41,921
Impairment loss on receivables	**469,400**	372,997
Intangible assets written off	**508,134**	10
Inventories written off/down	**33,566**	298,804
Loss/(Gain) from changes in fair value of forward foreign exchange contracts	**3,333,876**	(1,112,815)
Loss on disposal of investment in subsidiaries	**-**	217,142
Loss on disposal of other investment	**-**	24,298
Unrealised gain on foreign exchange	**(1,076,340)**	(796,130)
Property, plant and equipment written off	**6**	16,600
Provision/(Reversal) for warranty	**158,000**	(75,000)
Reversal of impairment loss on receivables /inventories previously recognised	**(8,462)**	(47,079)
	1,803,267	(4,467,665)

(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	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Malaysia	**93,024,379**	34,437,543	**48,722,464**	52,898,622
China	**14,491,128**	12,492,846	**-**	-
Japan	**1,417,663**	9,822,090	**-**	-
Singapore	**21,598,207**	7,874,355	**-**	-
Republic of Ireland	**5,552,234**	3,705,150	**-**	-
USA	**9,189,396**	5,489,820	**-**	-
Others	**6,665,446**	9,782,044	**-**	-
	151,938,453	83,603,848	**48,722,464**	52,898,622

27. **SEGMENTAL INFORMATION (CONT'D)**

(iii) **Major Customers**

Total revenue from major customers which individually contributed more than 10% of Group's revenue amounted to **RM79,241,116** (2015: RM10,198,993), arising from **2** (2015: 1) customers from the Group's automated equipment and automated manufacturing solutions segment.

28. **FINANCIAL INSTRUMENTS**

28.1 **Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R"), financial liabilities measured at amortised cost ("FL") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	**L&R RM**	**FL RM**	**FVTPL RM**
GROUP				
2016				
Financial assets				
Trade receivables	**36,441,779**	**36,441,779**	**-**	**-**
Other receivables	**5,083,574**	**5,083,574**	**-**	**-**
Investment securities	**2,562,828**	**-**	**-**	**2,562,828**
Cash and cash equivalents	**30,843,370**	**30,843,370**	**-**	**-**
	74,931,551	**72,368,723**	**-**	**2,562,828**
Financial liabilities				
Trade payables	**10,278,514**	**-**	**10,278,514**	**-**
Other payables	**6,900,612**	**-**	**6,900,612**	**-**
Derivative financial liabilities	**3,526,936**	**-**	**-**	**3,526,936**
Finance lease liabilities	**447,144**	**-**	**447,144**	**-**
	21,153,206	**-**	**17,626,270**	**3,526,936**
2015				
Financial assets				
Trade receivables	15,905,629	15,905,629	-	-
Other receivables	5,283,803	5,283,803	-	-
Derivative financial assets	5,900	-	-	5,900
Cash and cash equivalents	15,382,118	15,382,118	-	-
	36,577,450	36,571,550	-	5,900
Financial liabilities				
Trade payables	4,520,478	-	4,520,478	-
Other payables	8,983,204	-	8,983,204	-
Derivative financial liabilities	198,960	-	-	198,960
Finance lease liabilities	242,607	-	242,607	-
	13,945,249	-	13,746,289	198,960

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (cont'd)

	Carrying amount RM	L&R RM	FL RM	FVTPL RM
COMPANY				
2016				
Financial assets				
Other receivables	**309,200**	**309,200**	**-**	**-**
Inter-company balances	**14,396,994**	**14,396,994**	**-**	**-**
Cash and cash equivalents	**4,346,372**	**4,346,372**	**-**	**-**
	19,052,566	**19,052,566**	**-**	**-**
Financial liabilities				
Other payables	**418,078**	**-**	**418,078**	**-**
2015				
Financial assets				
Other receivables	2,262,721	2,262,721	-	-
Inter-company balances	8,683,287	8,683,287	-	-
Cash and cash equivalents	3,534,177	3,534,177	-	-
	14,480,185	14,480,185	-	-
Financial liabilities				
Other payables	951,471	-	951,471	-

28.2 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.

(i) **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 receivables whilst the Company's exposure to credit risk arises principally from advances to its subsidiaries and financial guarantees provided to financial institutions in respect of credit facilities granted to the subsidiaries.

(a) **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 90 days. In deciding whether credit terms shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Financial risk management (cont'd)

(i) Credit risk (cont'd)

(a) Trade receivables (cont'd)

It is inherent in the Group's business to make individually large sales to its customers that may lead to significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with a reliable financial profile.

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

	GROUP	
	2016	2015
	%	%
Customers with debts of RM100,000 and above	**97**	93
Customers with debts of less than RM100,000	**3**	7
	100	100

The concentration of significant portion of trade receivables on a small number of customers is managed by ensuring that transactions are only carried out with customers with a reliable financial profile.

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	Individual impairment	Net
	RM	RM	RM
2016			
Not past due	**9,808,926**	**-**	**9,808,926**
1 to 30 days past due	**6,377,889**	**-**	**6,377,889**
31 to 120 days past due	**16,096,821**	**-**	**16,096,821**
Past due more than 120 days	**4,863,593**	**(705,450)**	**4,158,143**
	27,338,303	**(705,450)**	**26,632,853**
	37,147,229	**(705,450)**	**36,441,779**

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Financial risk management (cont'd)

(i) Credit risk (cont'd)

(a) Trade receivables (cont'd)

	Gross RM	Individual impairment RM	Net RM
2015			
Not past due	5,210,215	-	5,210,215
1 to 30 days past due	4,309,454	-	4,309,454
31 to 120 days past due	4,148,390	-	4,148,390
Past due more than 120 days	2,610,567	(372,997)	2,237,570
	11,068,411	(372,997)	10,695,414
	16,278,626	(372,997)	15,905,629

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired has been renegotiated during the financial year.

As at the end of the reporting period, certain trade receivables have exceeded the credit term allowed. However, no impairment loss is required as these customers have no recent history of default.

(b) 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.

(c) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of reporting period, the Company is not exposed to any credit risk as the subsidiaries do not have outstanding borrowings.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Financial risk management (cont'd)

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company actively manage its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by maintaining credit facilities with its banker.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
GROUP					
2016					
Non-derivative financial liabilities					
Trade payables	**10,278,514**	**10,278,514**	**10,278,514**	**-**	**-**
Other payables and accruals	**6,900,612**	**6,900,612**	**6,900,612**	**-**	**-**
Finance lease liabilities	**447,144**	**475,129**	**195,792**	**195,792**	**83,545**
	17,626,270	**17,654,255**	**17,374,918**	**195,792**	**83,545**
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow-Net	**3,526,936**	**3,526,936**	**3,526,936**	**-**	**-**
	21,153,206	**21,181,191**	**20,901,854**	**195,792**	**83,545**

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Financial risk management (cont'd)

(ii) 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
GROUP					
2015					
Non-derivative financial liabilities					
Trade payables	4,520,478	4,520,478	4,520,478	-	-
Other payables and accruals	8,983,204	8,983,204	8,983,204	-	-
Finance lease liabilities	242,607	260,643	109,182	51,936	99,525
	13,746,289	13,764,325	13,612,864	51,936	99,525
Derivative financial liabilities					
Foreign currency forward contracts:					
Outflow-Net	198,960	198,960	198,960	-	-
	13,945,249	13,963,285	13,811,824	51,936	99,525
COMPANY					
2016					
Other payables and accruals	**418,078**	**418,078**	**418,078**	**-**	**-**
2015					
Other payables and accruals	951,471	951,471	951,471	-	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 Financial risk management (cont'd)

(iii) **Interest rate risk**

The Group's fixed rate deposits and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group does not have any floating rate instruments.

The interest rate profile of the Group's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period is as follows:

	GROUP		**COMPANY**	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Fixed rate instruments				
Financial assets	**18,471,765**	3,425,318	**4,004,864**	-
Financial liabilities	**447,144**	242,607	**-**	-

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(iv) **Foreign currency exchange 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 mitigates the exposure to this risk by maintaining USD denominated bank account and enter into foreign currency forward contracts.

The Group's exposure to the aforementioned currencies, based on carrying amounts as at the end of the reporting period is as follows:

	Denominated in USD	
	2016	2015
	RM	RM
Trade receivables	**27,723,529**	7,097,557
Cash and bank balances	**7,523,749**	4,021,690
Trade payables	**(2,661,473)**	(594,177)
Net exposure	**32,585,805**	10,525,070

Sensitivity analysis for foreign currency risk

A 5% strengthening of the RM against the US Dollar at the end of the reporting period would decrease the Group's profit by **RM1,629,290** (2015: RM526,253) 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 US Dollar as at the end of the reporting period and assumes that all other variables remain constant.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.3 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.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to their insignificant impact of discounting.

Fair value hierarchy

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

GROUP

	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
2016				
Investment securities	**2,562,828**	**-**	**-**	**2,526,828**
Forward contract *(liabilities)*	**-**	**3,526,936**	**-**	**3,526,936**
2015				
Forward contract *(assets)*	-	5,900	-	5,900
Forward contract *(liabilities)*	-	198,960	-	198,960

(i) The investment in quoted equity investments which are quoted in an active market are carried at fair value by reference to their quoted closing bid price at the end of the reporting period.

(ii) The derivative financial assets/liabilities arising from the fair value changes on the foreign currency forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the current contract using a risk-free interest rate.

29. 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.

29. **CAPITAL MANAGEMENT (CONT'D)**

Debt-to-Equity ratio

	GROUP	
	2016	2015
	RM	RM
Borrowings	**447,144**	242,607
Less: Cash and cash equivalents	**(30,843,370)**	(15,382,118)
	(30,396,226)	(15,139,511)
Total equity	**112,174,262**	77,850,926
Debt-to-equity ratio	**N/A[(i)]**	N/A[(i)]

(i) N/A –Not applicable as net cash position

There were no changes in the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements by its lenders.

30. **EVENTS AFTER THE REPORTING PERIOD**

(i) The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except Section 241 and Division 8 of Part III.

Pursuant to the circular issued by Malaysian Institute of Accountants on 2 February 2017, the Companies Commission of Malaysia has clarified that the Companies Act 2016 should be complied with for the preparation of financial statements and the directors' report and the auditors' report thereon commencing from the financial year/period ended 31 January 2017.

Accordingly, the Company shall prepare its financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016.

The financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act, 1965. Consequently, the items to be disclosed in the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for current financial year.

(ii) The Group through its subsidiary, Pentamaster Technology (M) Sdn. Bhd. ("PTSB"), had on 16 January 2017 entered into a Joint Venture Shareholders' Agreement with two other parties to establish a Joint Venture Company called Penang Automation Cluster Sdn. Bhd. ("PAC") wherein PTSB had subscribed to 35% of the issued and paid up capital of PAC for a cash consideration of RM1,050,000.

PAC's principal activities are to provide technological design, research, value added engineering development, metrology shared services, 3-D prototyping, smart manufacturing system and technical training to automation cluster companies.

SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis in the annual audited financial statements.

The breakdown of retained profits/accumulated losses as at the end of the reporting period has been prepared by the directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	GROUP		**COMPANY**	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Total retained profits/ accumulated losses of the Company and its subsidiaries:				
- Realised	**42,040,469**	(1,411,462)	**(32,676,793)**	(32,630,437)
- Unrealised	**(2,452,506)**	(1,938,930)	**-**	-
	39,587,963	(3,350,392)	**(32,676,793)**	(32,630,437)
Less: Consolidation adjustments	**(10,694,878)**	5,215,058	-	-
Total retained profits/ accumulated losses as per statements of financial position	**28,893,085**	1,864,666	**(32,676,793)**	(32,630,437)

LIST OF LANDED PROPERTIES

Location of Landed Properties	Date of Acquisition	Description and Existing Use	Tenure	Land Area	Approximate Age of Building	Net Book Value as at 31 December 2016 (RM)
H.S. (D) 19135 & H.S.(D) 19121, Mukim 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	13 years	34,316,083

Number of holders of Ordinary Shares	:	146,567,333
Class of Equity Securities	:	Ordinary Shares
Voting Rights	:	One vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Shares held	%
29	Less than 100 shares	911	*
561	100 – 1,000 shares	321,540	0.22
1,636	1,001 – 10,000 shares	7,939,522	5.42
673	10,001 - 100,000 shares	21,214,898	14.47
142	100,001 to less than 5% of issued shares	90,271,962	61.59
2	5% and above of issued shares	26,818,500	18.30
3,043	**Total**	**146,567,333**	**100.00**

* Negligible

30 Largest Securities Account Holders

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held	%
1	CHUAH CHOON BIN	16,906,750	11.54
2	CHUAH CHOON BIN	9,911,750	6.76
3	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	6,612,151	4.51
4	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION*	4,440,512	3.03
5	PHUAH CHENG PENG	4,259,700	2.91
6	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RESOLUTE ACCOMPLISHMENT SDN. BHD.*	3,832,430	2.61
7	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND*	3,086,400	2.11
8	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND*	3,029,900	2.07
9	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC TRUSTEES BHD FOR PERTUBUHAN KESELAMATAN SOSIAL*	2,880,000	1.96
10	TAN CHUN KEE	2,611,700	1.78
11	CITIGROUP NOMINEES (ASING) SDN BHD *CEP FOR PHEIM SICAV-SIF*	2,590,200	1.77
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FONG SILING*	2,200,000	1.50
13	NG NGOON WENG	2,175,800	1.48

30 Largest Securities Account Holders

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held	%
14	CHIN KOK WAI	1,965,100	1.34
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN*	1,942,700	1.33
16	CHUAH CHOON BIN	1,911,750	1.30
17	CHUAH CHOON BIN	1,911,750	1.30
18	AMANAHRAYA TRUSTEES BERHAD *PMB SHARIAH AGGRESSIVE FUND*	1,735,800	1.18
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	1,669,600	1.14
20	ANG BOON GUAN	1,600,000	1.09
21	PELABURAN MARA BERHAD	1,370,400	0.94
22	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UBS AG SINGAPORE*	1,332,430	0.91
23	TAN GUAT KIM	1,126,553	0.77
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN*	1,058,300	0.72
25	LEONG CHOOI KUEN	1,010,000	0.69
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHANG SENG KOOI*	950,000	0.65
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG*	850,800	0.58
28	KENANGA NOMINEES (TEMPATAN) SDN BHD *VISITOR CHRISTIAN BROTHERS' SCHOOLS MALAYSIA*	841,400	0.57
29	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD *AFFIN HWANG ASSET MANAGEMENT BERHAD FOR AFFIN HWANG ABSOLUTE RETURN FUND II*	826,200	0.56
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR ARECA EQUITY TRUST FUND*	800,500	0.55

Substantial Shareholder
(excluding those who are bare trustees pursuant to Section 8 of the Companies Act, 2016)

	No. of Ordinary Shares beneficially held by the Substantial Shareholder			
Name of Substantial Shareholder	**Direct**	**%**	**Deemed**	**%**
CHUAH CHOON BIN	30,642,000	20.91	28,500#	0.02

* Interest held by spouses treated as interest of directors in accordance with Section 59(11)(c) of the Companies Act, 2016.

Directors' Shareholdings (Direct & Deemed Interests)

a) In the Company

	No. of Ordinary Shares beneficially held by the Directors			
Name of Directors	**Direct**	**%**	**Deemed**	**%**
CHUAH CHOON BIN	30,642,000	20.91	28,500#	0.02
CHUAH CHONG EWE	6,662,151	4.55	-	-
LOH NAM HOOI	90,000	0.06	-	-
GAN PEI JOO	100	*	-	-
SIM SENG LOONG @ TAI SENG	-	-	-	-
LENG KEAN YONG	-	-	-	-

Interest held by spouses treated as interest of directors in accordance with Section 59(11)(c) of the Companies Act, 2016.

* Negligible

b) In related Corporation

By virtue of his interest of not less than 15% in the shares of the Company as at 10 April 2017, Chuah Choon Bin is deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest as at that date. None of the other directors have any interest in the shares of related corporations as at 10 April 2017.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of Pentamaster Corporation Berhad will be held at the Conference Room of Pentamaster Corporation Berhad at Plot 18 & 19 Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on 1 June 2017 at 10.30 a.m. for the following purposes :-

AS ORDINARY BUSINESSES

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. Resolution 1

2. To approve the payment of Directors' fees amounting to RM216,000 to Directors of the Company and its subsidiaries for the financial year ended 31 December 2016. Resolution 2

3. To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the Company from 1 January 2017 until the next Annual General Meeting of the Company. Resolution 3

3. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :-

   (a) "THAT Chuah Choon Bin, who retires pursuant to Article 95(1) of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company." Resolution 4

   (b) "THAT Leng Kean Yong, who retires pursuant to Article 95(1) of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company." Resolution 5

4. To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 6

AS SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :-

   (a) "THAT authority be and is hereby given to Loh Nam Hooi who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." Resolution 7

   Power to Issue Shares pursuant to Section 76 of the Companies Act, 2016

   (b) "THAT subject always to the Companies Act, 2016 ("Act"), Articles of Association of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Section 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." Resolution 8

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

(c) "THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into all arrangements and/or transactions as detailed in Section 2.2(b) of the Company's Circular to Shareholders dated 27 April 2017 ("Said Circular") involving the interests of Directors, major shareholders or persons connected with such Directors or major shareholders of the Company ("Related Parties") as detailed in Section 2.2(b) of the Said Circular, provided that such arrangements and/or transactions are:-

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations; and

(iii) carried out in the ordinary course of business and are made on an arm's length basis on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company

(the "Proposed Renewal of Shareholders' Mandate").

THAT the Proposed Renewal of Shareholders' Mandate is subject to annual renewal and shall continue to be in force until:-

(a) the conclusion of the next annual general meeting ("AGM") of the Company at which such Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate." Resolution 9

6. To consider any other business for which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Fifteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 171(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 May 2017. Only a depositor whose name appears in the Record of Depositors as at 23 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

By order of the Board

Lim Kim Teck
(MAICSA 7010844)

Kong Sown Kaey
(MAICSA 7047655)
Secretaries

Penang
Date : 27 April 2017

NOTES

1. Appointment of Proxy

(a) Subject to Paragraph (c) below, a member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(b) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(c) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

2. Explanatory Notes on Special Business

Resolution No. 7

Under the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), the Board must undertake an assessment of its independent directors annually. In addition, the MCCG 2012 has recommended that the tenure of an independent director should not exceed a cumulative term of nine years. Shareholders approval must be sought in the event that the Company intends to retain any independent director who has served in that capacity for more than nine years.

Resolution No. 8

The proposed resolution if passed will empower the Directors of the Company to issue and allot shares up to 10% of the total number of issued shares of the Company from time to time. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the period within which the next Annual General Meeting of the Company is required by law to be held whichever is the earlier.

As at the date of this notice no shares have been issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 2 June 2016 and which will lapse at the conclusion of the Fifteenth Annual General Meeting.

The Directors seek a renewal of the mandate to provide flexibility to the Company for possible raising of funds, including but not limited to placing of shares, for purpose of additional working capital, funding of investments, acquisitions or reduction of borrowings.

Resolution No. 9

The proposed resolution in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature will eliminate the requirement for the Company to make regular announcements and convene separate general meetings from time to time in respect of the aforesaid Related Party Transactions.

Please refer to the Circular to Shareholders dated 27 April 2017 for further information.

PENTAMASTER CORPORATION BERHAD (572307-U)
(Incorporated in Malaysia)

PROXY FORM

FOR THE 15TH ANNUAL GENERAL MEETING

CDS Account No.	
No. of shares held	

I/We____
(Full Name in Block Letters)

of____
(Address)

being a member/members of the above Company appoint______________________
(Full Name in Block Letters)

of____
(Address)

or failing him, ______________________________________
(Full Name in Block Letters)

of ____
(Address)

or failing him, the Chairman of the Meeting as my/our Proxy to vote in my/our name(s) on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at the Conference Room of Pentamaster Corporation Berhad at Plot 18 & 19 Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on 1 June 2017 at 10.30 a.m. and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1		
To approve the payment of Directors' fees amounting to RM216,000 for the financial year ended 31 December 2016.	Ordinary Resolution 2		
To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors from 1 January 2017 until the next Annual General Meeting.	Ordinary Resolution 3		
To re-elect Chuah Choon Bin who retires in accordance with Article 95(1) of the Company's Articles of Association as a Director of the Company.	Ordinary Resolution 4		
To re-elect Leng Kean Yong who retires in accordance with Article 95(1) of the Company's Articles of Association as a Director of the Company.	Ordinary Resolution 5		
To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 6		
To authorise Loh Nam Hooi to continue to act as an Independent Non-Executive Director of the Company.	Ordinary Resolution 7		
To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	Ordinary Resolution 8		
To approve the proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.	Ordinary Resolution 9		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this ____________________ day of _____________________ 2017.

____
Signature of Shareholder or Common Seal

Notes :

(a) Only a Depositor whose name appears in the Record of Depositors as at 23 May 2017 shall be entitled to attend the Fifteenth Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

(b) Subject to Paragraph (d) below, a member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

(c) A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without restriction as to the qualification of the proxy.

(d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(f) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Please fold across the lines and close

Affix
stamp

The Company Secretaries
PENTAMASTER CORPORATION BERHAD (572307-U)
35, 1st Floor, Jalan Kelisa Emas 1,
Taman Kelisa Emas,
13700 Seberang Jaya, Penang,
Malaysia

Please fold across the lines and close

www.pentamaster.com.my

Pentamaster Corporation Berhad (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