PENTAMASTER

PENTAMASTER CORPORATION BERHAD

(572307-U)

EVOLVE TOWARDS A SMARTER FUTURE

ANNUAL REPORT 2017

VISION

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

MISSION

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

CONTENTS

VISION AND MISSION STATEMENT	**01**
CORPORATE INFORMATION	**02**
CORPORATE STRUCTURE	**03**
CHAIRMAN'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS	**04 - 08**
PROFILE OF DIRECTORS	**09 - 12**
PROFILE OF KEY SENIOR MANAGEMENT	**13 - 14**
SUSTAINABILITY STATEMENT	**15 - 18**
CORPORATE GOVERNANCE OVERVIEW STATEMENT	**19 - 31**
STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL	**32 - 34**
AUDIT COMMITTEE REPORT	**35 - 37**
DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS	**38**
OTHER INFORMATION	**39 - 41**
DIRECTORS' REPORT	**42 - 46**
DIRECTORS' STATEMENT	**47**
STATUTORY DECLARATION	**47**
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS	**48 - 52**
STATEMENTS OF FINANCIAL POSITION	**53**
STATEMENTS OF COMPREHENSIVE INCOME	**54**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**55**
STATEMENT OF CHANGES IN EQUITY	**56**
STATEMENTS OF CASH FLOWS	**57 - 58**
NOTES TO THE FINANCIAL STATEMENTS	**59 - 111**
LIST OF LANDED PROPERTIES	**112**
ANALYSIS OF SHAREHOLDINGS	**113 - 115**
NOTICE OF ANNUAL GENERAL MEETING	**116 - 120**
PROXY FORM	**Enclosed**

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHUAH CHOON BIN
Non-Executive Chairman

CHUAH CHONG EWE
Chief Executive Officer

LEE KEAN CHEONG
Non-Executive Independent Director
Appointed on 19 December 2017

LENG KEAN YONG
Non-Executive Independent Director

LOH NAM HOOI
Non-Executive Independent Director

GAN PEI JOO
Finance Executive Director
Resigned on 19 December 2017

SIM SENG LOONG @ TAI SENG
Non-Executive Independent Director
Resigned on 19 December 2017

AUDIT COMMITTEE

Chairman
LEE KEAN CHEONG
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

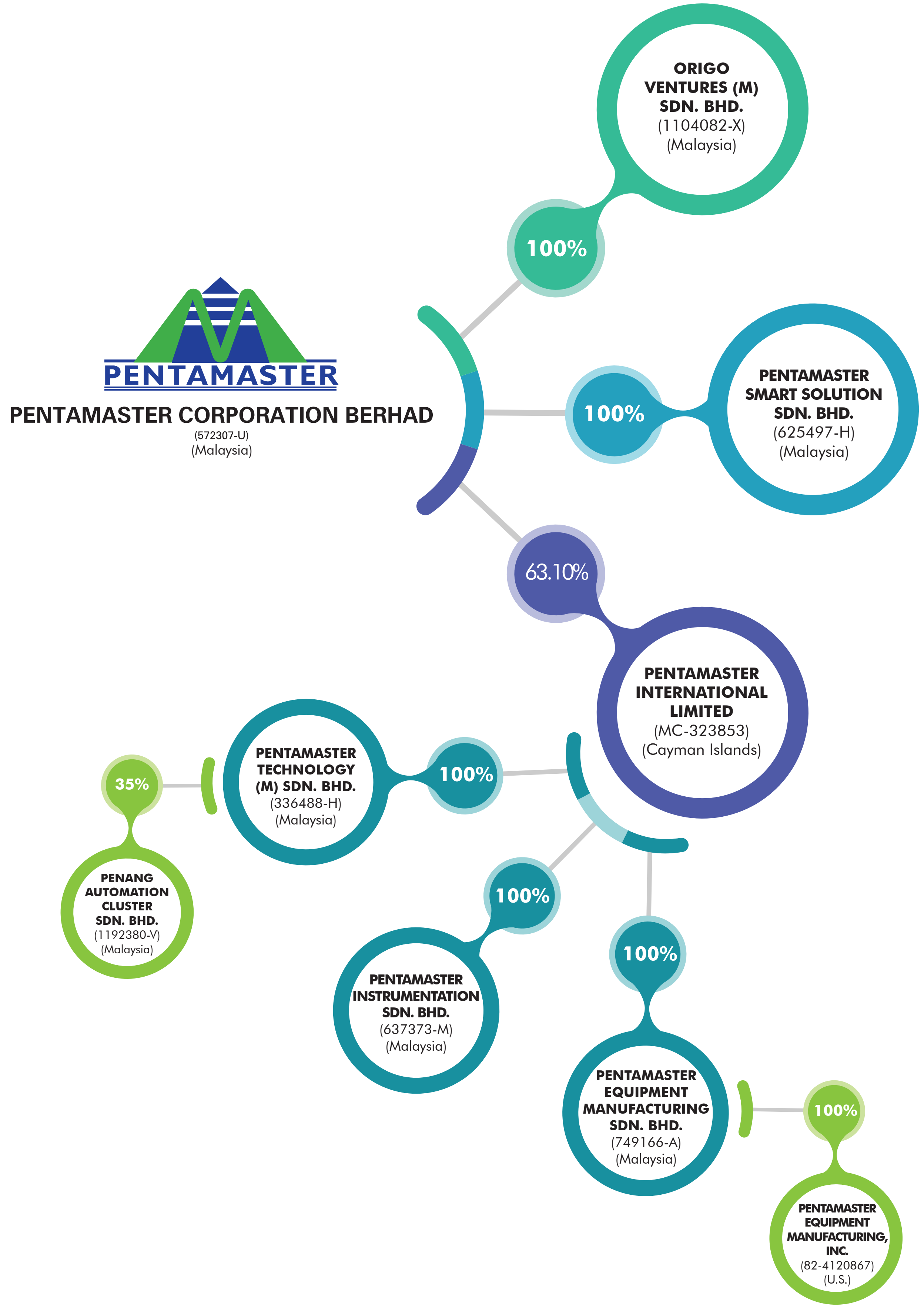
BANKERS

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
AS AT 19 APRIL 2018



CHAIRMAN'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present to you the annual report of Pentamaster Corporation Berhad (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2017.

First and foremost, I am pleased to announce that Pentamaster Corporation Berhad has successfully listed its automation solution business via Pentamaster International Limited ("PIL"), on the Main Board of The Stock Exchange of Hong Kong Limited on 19 January 2018 under the stock code 1665 ("PIL Listing"), marking a significant milestone in the history of our Group. We intend to further expand our business by utilising part of the proceeds from PIL Listing to increase our presence in other regions, particularly (i) the Greater China region, covering the largest semiconductor market, as well as key semiconductor markets such as Taiwan; and (ii) California, the U.S., being the global technology hub. The listing has promoted a clearer segregation of business responsibilities and operations of the Group, besides enabling the automation solution business to have a more refined corporate structure. The listing of PIL on the stock exchange of one of the world's most renowned international financial markets has allowed access to a more diverse and global investor base, which is expected to improve liquidity and raise our Group's profile globally. More importantly, it has also enabled the Company to unlock the value of its automation solution business. We assure you, our stakeholders, that we will continue to work hard for the advancement and progression of our Group, with the aim of ultimately giving back to our valuable investors, customers, employees and the society at large.

BUSINESS REVIEW AND OUTLOOK

The Group has achieved another year of improved operating performance and strategic progress, strongly driven by our excellence in engineering design, new product development and operational practices. The rapid development of technology, particularly in the telecommunication industry, has resulted in higher demand for more complex components testing, which contributed significant growth in revenue to our Group. The strategic progress undertaken by the Group has enabled the Group to evolve, and focus on and invest in high-growth and high-demand businesses that includes Smart Integrated Circuit ("Smart IC") devices testing, automotive sector's components testing platform as well as a more technologically-inclined automated manufacturing solution that enhances production efficiency. We are heartened that our strategic initiatives have enabled our Group to capture more key premium customers in these business sectors and achieve commendable financial results.

The emergence of new technologies and its adoption into products and businesses had led to higher demand for Smart IC devices such as proximity sensor, light sensor, humidity sensor and motion sensor, while at the same time created a significant impact on the substitution over traditional semiconductor integrated circuits test handler market. Specifically, "smart devices" technology and components that are adopted in the smart mobile devices and automotive sectors are the two key growing segments for our Group.

The growth in smart mobile devices had undoubtedly opened up a big avenue of demand and opportunities for the Group. We are proud to share that our test equipment solution was able to pass the highly stringent test application and quality assurance requirements of each of our customers' ever-evolving unique testing technology platform for their respective components and end products. Since 2013, the Group has developed a variety of test equipment solutions for different types of smart sensors which have paved the way for the Group to be recognised as one of the prominent players in the smart sensor testing equipment for the mobile device sector. In 2017, smart sensor test equipment solutions for the mobile device sector have contributed more than 60.0% of the Group's revenue. The Group's flagship test solutions in ambient and proximity sensors have enabled us to accomplish commendable achievements and gain customers' recognition of our technology solutions. Going forward, by leveraging on our extensive experience and outstanding strengths in vision imaging technology coupled with our knowledge of light sensing testing technology, we are ready to make inroads into the three dimensional (3-D) sensor test solutions market based on Time of Flight (ToF) and Structured Light (SL) sensors platform. We foresee a growth in demand for our smart sensor testing equipment given the higher turnover rate and shorter time-to-market for new generation smartphones. We expect revenue contribution from our smart sensor testing equipment to remain robust in 2018.

As for the automotive sector, the emergence of smart electronic devices coupled with the growth in the number of electric vehicles ("EV"), presented a significant business opportunity to our Group. According to a report by Frost and Sullivan, revenue from semiconductor integrated circuits in the automotive sector stood at US$22.9 billion in 2016, with an expected compound annual growth rate ("CAGR") of 10.3% between 2015 to 2020. Furthermore, according to BNEF (Bloomberg New Energy Finance), sales of EVs are estimated to accelerate to 54.0% of total car sales by 2040 due to tumbling battery prices resulting in EVs having lower lifetime costs. Our Group recognised the opportunity arising from the adoption of more electronic components in the automotive industry such as accelerometers, power devices, AC (alternating current) drive unit module and particularly the multilayer ceramic capacitors (MLCC) where its usage expands into EV-related power electronic applications. This has enabled our Group to diversify and capitalise on the demand for highly customised testing equipment for automotive sector. As a result of the high quality of our products and solutions, our Group is able to ride on this segment's growth momentum which demands higher quality standards and far more stringent safety measures. It is also worth noting that the barriers of entry for testing equipment segment for automotive industry is high with greater customers' requirements owing to the need for a longer qualification process. I am proud to say that the Group's exposure to the automotive segment has realised commendable growth, as seen from the increase in revenue contribution from the segment from 1.5% in 2016 to 5.7% in 2017.

With the prevalence of Industry 4.0, rise in labour costs, shortage of skilled talent, stringent quality requirements, shorter production time line and higher precision in manufacturing, we see vast potential and opportunities in the factory automation segment. Frost and Sullivan has estimated the global market size for factory automation to be US$70 billion to US$84 billion in 2016 with a CAGR of 1.0% to 5.0% in 2017 and beyond.

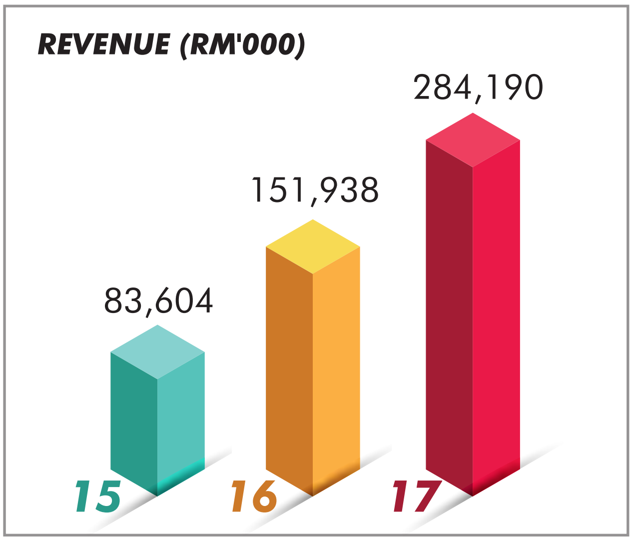
Against this backdrop, our proprietary in-house Intelligent Automated Robotic Manufacturing System ("i-ARMS") has the capabilities of addressing the specific needs of our customers by automating their manufacturing process with the incorporation of our intelligent material handling system, radio-frequency identification (RFID), computerised process control solution via our Manufacturing Executive System (MES), robotic system, high-speed sorters and vision imaging system. Through our ability to offer customised automated manufacturing solutions encompassing in-house machine design, software programming, robotic automation and process integration, our Group has the competitive edge in capturing emerging trends in this manufacturing sector to gain further market traction. Presently, the revenue from this segment accounts for 13.8% of total revenue of our Group. Our management intends to increase contribution from this segment by leveraging on our deep industrial knowledge and experience. We also plan to expand our technical sales center in the U.S. and increase our production capacity with the construction of a second new production plant in Batu Kawan, Penang. The new production plant will have a gross floor area of approximately 97,033 sq.ft. and is expected to commence operations by mid-2018.

Last but not least, our Smart Building and Control Solution System segment has been growing since its inception in 2015. According to a report by IDC Energy, at the macro level, smart building capabilities are gaining attention because of their potential to serve the dual purpose within the highly competitive property market of creating building environments that are great to be in (attracting tenants, visitors, students and employees) and enabling the building owners to manage efficiencies to primarily reduce costs, increase sustainability and increase security. While smart building investments in 2014 are still relatively low in this part of the world, they are expected to increase very significantly over the coming five years. IDC Energy Insights is expecting smart building technology spending to grow from US$52.9 million in 2013 to US$152.3 million in 2018, or a 5-year CAGR of 23.5%. Our country's focus on creating new city environments which aimed at propelling Malaysia into the future with various "Smart City & Smart Village" programs and initiatives, is expected to bring RM70 billion to the Malaysian economy by 2020. The objective of such programs and initiatives is to provide the next level of living, learning and business environment. While this business segment has yet to contribute significantly to the Group, I am confident that it will grow in the near future as we further invest and develop our technology and skills in this sector.

Overall the Group will continue with its strategic transformation and innovation to focus on and invest in high-growth and high-demand business segments as we evolve towards a smarter future.

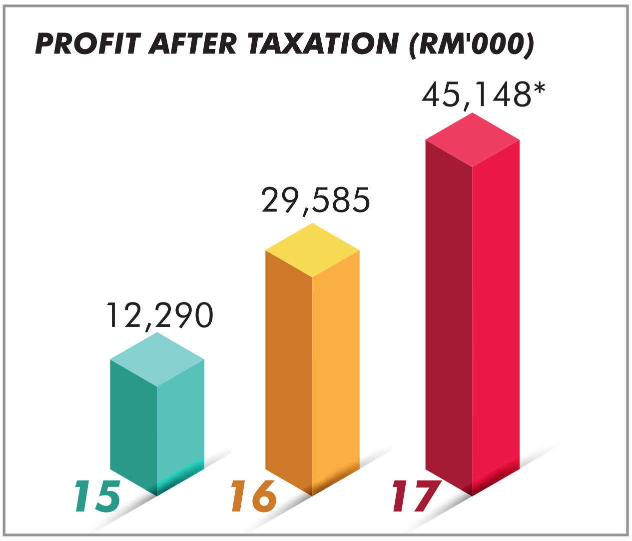
FINANCIAL REVIEW

Revenue of the Group grew by 87.1% from RM151.9 million in 2016 to RM284.2 million in 2017, which has been the best record for the Group since its inception 22 years ago. The growth in revenue was primarily contributed by the automated equipment segment which accounted for approximately 81.8% of the Group's revenue. The increase in revenue by approximately 127.4% from the automated equipment segment was due to the stronger demand for our test equipment, namely MEMS & smart sensor test handler solutions, from the semiconductor and telecommunication markets, particularly the smart mobile device sector. The rise in such demand was underpinned by the increasing prevalence of smart sensors in mobile devices resulting in the significance of smart IC devices testing in this sector. Apart from the increase in sales demand, the ability to command higher average selling prices from these test equipment with more complex and high-end technology features embedded further contributed to the growth in revenue. We are heartened to witness how the Group continued to experience strong sales order throughout 2017 with four consecutive quarter-on-quarter growth.



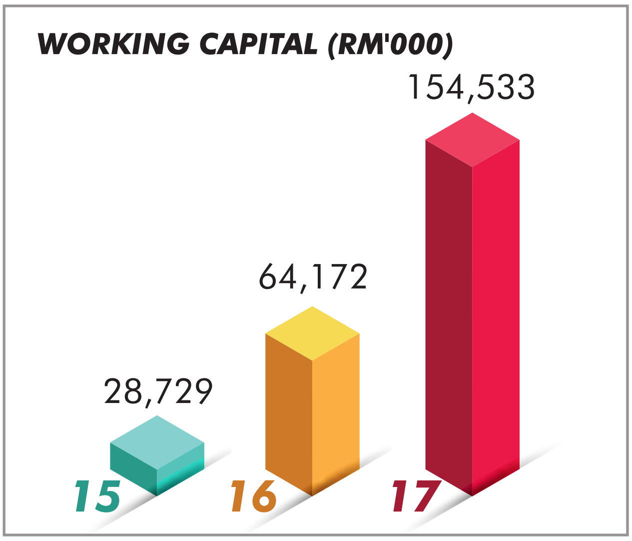
Revenue from another two segments, namely the automated manufacturing solution segment and smart control solution segment, in which the Group operates, had also increased by 11.8% and 39.4% respectively. Revenue from these two segments accounted for 18.2% of total revenue of the Group.

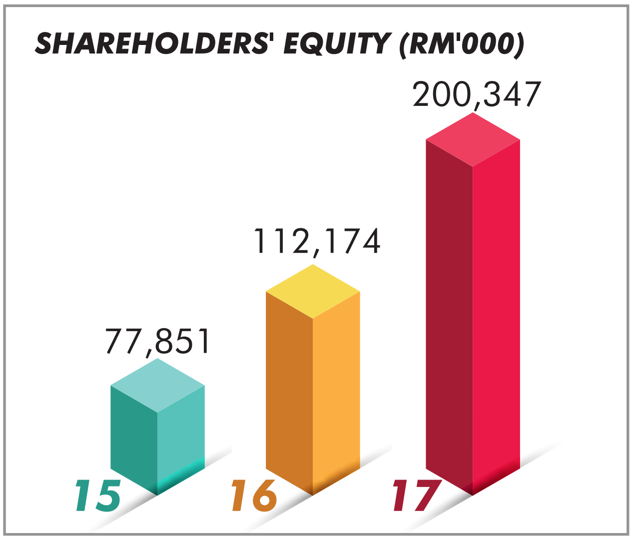
From the bottom line perspective, the Group closed its financial year with net profit of RM39.2 million, after taking into account the listing expenses and other non-recurring expenses related to PIL Listing. Should the effects of listing expenses and other non-recurring expenses be excluded, the Group would have achieved a net profit of RM45.1 million, an increase of 52.4% from the net profit of RM29.6 million in 2016. Such position was another record breaking net profit achieved by the Group in 2017.



* adjusted for listing expenses & other non-recurring expenses

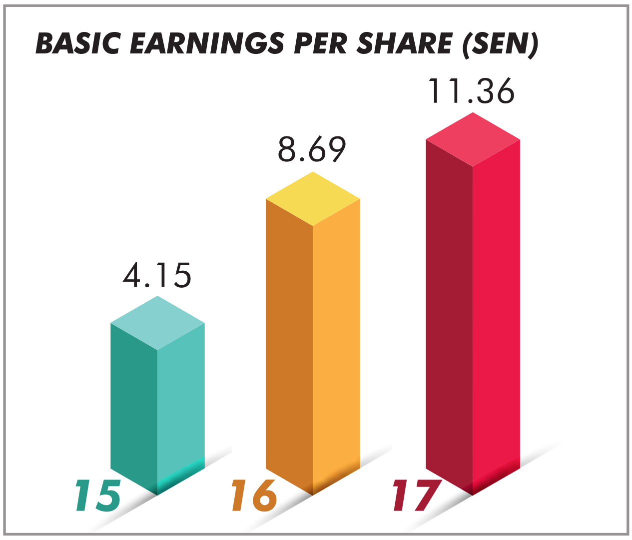
On the balance sheet front, the financial position of the Group remains healthy. We continue to maintain a robust position with working capital of RM154.5 million as at 31 December 2017 as compared to RM64.2 million in the prior year. The Group generated net cash from operations of RM34.1 million in 2017 as compared to RM17.5 million in 2016, mainly due to higher profit before taxation achieved. Cash and cash equivalents increased from RM30.8 million to RM82.2 million as at 31 December 2017. Equity attributable to shareholders of the Group had also increased by approximately 78.6% to RM200.4 million as at 31 December 2017, placing the Group in a strong financial standing.





During the financial year under review, the Group generated RM16.3 million from investing activities mainly due to the proceeds of RM25.5 million received from the disposal of PIL shares to GEMS Opportunities Limited Partnership as part of its listing scheme. Simultaneously, the Company acquired the remaining 40% shareholding in its subsidiary for a total cash consideration of RM6.0 million. In addition, the Group had also incurred approximately RM5.1 million in capital expenditure mainly pertaining to the acquisition of land located in Batu Kawan, Penang.

Subsequent to the approval by the shareholders during the Extraordinary General Meeting on 16 November 2017, the Group utilised approximately RM5.9 million from its share premium account to capitalise the bonus issue, involving the issuance of 11.7 million bonus shares on the basis of 2 bonus shares for every 25 existing shares held. At the same time, the Company also undertook a share split exercise involving the subdivision of every 1 share held after the bonus issue into 2 ordinary shares in the Company. Such corporate proposal has enlarged the share capital of the Company from 146.6 million shares to 316.6 million shares as at 31 December 2017.



OPERATIONAL AND FINANCIAL RISKS

Dependence on key management and experienced personnel

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

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

Risk relating to technological obsolescence

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

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

Continuous efforts are constantly made to increase the efficiencies of the R&D 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.

Competition risk

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

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

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

Intellectual property

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

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

Financial risk

The Group's financial risks are set out in Note 29 under the notes to the financial statements.

PROSPECTS

The Group expects 2018 to be another good year with continued strong demand from our customers as evidenced by the size of outstanding secured orders of approximately RM249.2 million received up to 31 December 2017 with expected delivery in 2018. It is worthy to note this amount of secured orders surpassed our revenue in 2016 and made up 87.7% of total revenue in 2017. Our Group intends to further strengthen its market position and expand its business by keeping abreast of the latest technological changes relevant to the industry and increasing its presence in key geographical markets such as the Greater China region and the U.S. as well as diversifying into other high-growth industries such as the automotive and healthcare sectors to broaden its customer base and revenue.

Looking ahead to the Group's business development in 2018, we will continue to expand our partnership with our customers to develop customised solutions for their business needs, reinforce the building of the core engineering team and provide better service support. We believe that successful implementation of these initiatives will provide the Group with an excellent platform to help secure more market share in the smart mobile device, automotive and manufacturing sectors with our Smart IC devices testing and i-ARMS while looking for prospects to grow our Smart Building and Control System division. In view of these positive initiatives, the Board is confident that the Group has laid a strong foundation for business growth in the coming years.

DIVIDEND

The Board of Directors does not recommend any dividend payment for the financial year ended 31 December 2017. Post PIL listing, the Group aims to utilise its cash reserves and listing proceeds for business expansion activities which includes, amongst others, construction of the new production plant as well as the expansion of the existing production plant, establishment of a subsidiary in the U.S. and business expansion into the Greater China region.

APPRECIATION

Throughout my tenure of more than two (2) decades with our Group, I am proud and blessed to have a team of strong, committed and talented employees supporting me. It is these talented personnel that have firmly stuck by and supported me through thick and thin in building our Group to where it is today. Our Group employees carry with their pride and enthusiasm in giving their utmost best in delivering the Group's growth and achievements thus far. With the Group's unique working culture, we always strive to do the right thing and deliver our best for our customers. I am sure our customers will be reassured that this culture will continue in many more years to come.

On behalf of the Board, I would like to thank our management team and employees for their commitment and dedication. I always thank God for His gracious gifts and blessings He has given to our Group and myself. My appreciation also extends to all suppliers who share our steadfastness in propelling our Group to the next level. I would also personally like to thank our Board members and valued shareholders for all the support and trust given to me in allowing me to steer our Group to where it is today. I hope to have your continued support in bringing our Group to the next level.

Chuah Choon Bin
Chairman

CHUAH CHOON BIN
Non-Executive Chairman

Chuah Choon Bin (male), aged 57, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and was re-designated as the Non-Executive Chairman on 19 December 2017. He currently sits on the Board of PIL as the Executive Director and Chairman. PIL is a subsidiary of the Company and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 19 January 2018. Mr Chuah also holds directorship in subsidiary companies of PIL.

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

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

Under his leadership, the Company was ranked in the top 200 in the Forbes "2017 Best Under a Billion" list of companies that are publicly listed in the Asia Pacific region, 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 on the Board of Penang Charis Hospice Home. He is also appointed to the school board as Director for Chung Ling High School and Phor Tay High School.

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

CHUAH CHONG EWE
Chief Executive Officer

Chuah Chong Ewe (male), aged 51, 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.

LEE KEAN CHEONG
Non-Executive Independent Director

Lee Kean Cheong (male), aged 50, a Malaysian citizen, was appointed to the Board of the Company on 19 December 2017 and is currently the Chairman of the Audit Committee.

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

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

Currently, he is the Partner of an accounting and management consultancy firm and as Independent Non-Executive Director of Petrol One Resources Berhad and Teo Guan Lee Corporation Berhad, all of which are listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Independent Non-Executive Director of China Bearing (Singapore) Ltd, a company listed on Singapore Exchange Securities Trading Limited.

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

LENG KEAN YONG
Non-Executive Independent Director

Leng Kean Yong (male), aged 43, a Malaysian citizen, was appointed to the Board of the Company on 1 August 2014 and is currently a member of the Audit Committee, Remuneration Committee and the Nominating Committee. On 7 August 2017, Mr Leng was appointed to the Board of PIL as a Non-Executive Director. PIL is a subsidiary of the Company and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 19 January 2018. He is also a member of the Audit Committee and Remuneration Committee of PIL.

Mr Leng has been in the finance and marketing field for over 19 years. He is highly experienced in the areas of business strategy, ranging from financial matters to business planning and marketing. He has successfully executed projects for small-medium sized industries to listed entities on Bursa Malaysia Securities Berhad, the Australian Securities Exchange and The Stock Exchange of Hong Kong Limited as well as projects for Multinational corporations. Such projects encompass IPO exercise, industry research report, the development of a 5-year business plan, marketing strategy blue print, customer relationship management implementation, market entry and feasibility studies, and mergers and acquisitions evaluations.

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

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

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

LOH NAM HOOI
Non-Executive Independent Director

Loh Nam Hooi (male), aged 57, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and is currently the Chairman of the Remuneration Committee and the Nominating Committee. He is also a member of the Audit Committee.

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

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

GAN PEI JOO
Finance Executive Director

Gan Pei Joo (female), aged 42, a Malaysian citizen, was appointed to the Board of the Company on 1 March 2014 and held the position of the Company's Finance Executive Director prior to her resignation on 19 December 2017 as part of the restructuring of the Board of the Company in preparation for the listing of the Company's automated solution business through PIL on the Main Board of The Stock Exchange of Hong Kong Limited. She is currently the Executive Director and Chief Financial Officer of PIL.

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.

SIM SENG LOONG @ TAI SENG
Non-Executive Independent Director

Sim Seng Loong @ Tai Seng (male), aged 51, a Malaysian citizen, was appointed to the Board of the Company on 1 August 2014 and was the Chairman of the Audit Committee and member of the Nominating Committee. As part of the restructuring of the Board of the Company in preparation for the listing of the Company's automated solution business through PIL on the Main Board of The Stock Exchange of Hong Kong Limited, he resigned from the Board of the Company on 19 December 2017 and was subsequently appointed to the Board of PIL on the same day. Mr Sim is also the Chairman of the Audit Committee of PIL.

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 on the Board of Jack-in Group Limited (listed on Australian Securities Exchange) as an Independent Director and is also the Chairman of the Audit Committee.

He is a Chartered Accountant under Malaysian Institute of Accountants, a Certified Public Accountant under Malaysia Institute of Certified Public Accountants 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.

Hon Tuck Weng
Operation Director

Hon Tuck Weng (male), aged 47, a Malaysian citizen, has been the operation director since May 2007 and is primarily responsible for overseeing the daily operation of our management information system, quality assurance and control, facilities and internal control functions. He started his career as the software programmer of Pentamaster Technology (M) Sdn. Bhd. in March 1995. Mr. Hon has more than 24 years of experience in automation solutions industry.

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

Teoh Siow Khiang
Senior General Manager

Teoh Siow Khiang (male), aged 61, a Malaysian citizen, has been the senior general manager of Pentamaster Instrumentation Sdn. Bhd. ("Pentamaster Instrumentation") since January 2017. He is primarily responsible for overseeing the daily operations of Pentamaster Instrumentation. He joined as a general manager of Pentamaster Instrumentation in January 2006.

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

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

Teh Eng Chuan
Chief Operating Officer – automated equipment division

Teh Eng Chuan (male), aged 44, a Malaysian citizen, has been the chief operating officer of Pentamaster Technology (M) Sdn. Bhd. ("Pentamaster Technology") since January 2015. Mr. Teh is primarily responsible for overseeing the daily operations of Pentamaster Technology. He joined as a vision software engineer of Pentamaster Technology in January 1996 and has over 20 years of experience in the machine vision, design and control. Mr. Teh completed a course of higher diploma in computer science in Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in April 1995.

Ng Chin Keng
Chief Operating Officer – automated manufacturing solution division

Ng Chin Keng (male), aged 38, a Malaysian citizen, has been the chief operating officer of Pentamaster Equipment Manufacturing Sdn. Bhd ("Pentamaster Equipment") since January 2015. Mr. Ng is primarily responsible for overseeing the daily operations of Pentamaster Equipment. He joined as an automation software programmer in January 2000. Mr. Ng obtained a bachelor's degree of science in computing and information systems with honours from University of Lincolnshire & Humberside, United Kingdom, in July 2001.

PROFILE OF KEY SENIOR MANAGEMENT
(CONT'D)

Chuah Teong Khoey
Senior Division Manager – smart control solution system division

Chuah Teong Khoey (male), aged 39, a Malaysian citizen, graduated with a Bachelor of Science (Business Information System) from Campbell University, USA. He joined the Group 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 of Pentamaster Smart Solution Sdn. Bhd., a position which he has held since 2014.

Ng Yen Mei
Corporate Procurement Logistic Manager

Ng Yen Mei (female), aged 40, a Malaysian citizen, is our corporate procurement logistic manager and is primarily responsible for overseeing the procurement and logistic functions covering purchasing, sourcing, warehouse and logistic operations of the Group. Ms. Ng joined our Group in June 2004 and has approximately 20 years of experience in procurement and accounting. Prior to joining the Group, she served as materials specialist in Dell Asia Pacific Sdn, where she provided support for business operations procurement. Ms. Ng obtained a master's degree of business administration from Paramount University of Technology, the United States in April 2007 through a distance learning course.

You Chin Teik
Vice President New Business Development

You Chin Teik (male), aged 40, a Malaysian citizen, is the vice president of new business development and is primarily responsible for overseeing the research and development activities of our Group. He joined our Group as a vision engineer in January 1998. Mr. You obtained a higher diploma in computer studies from Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in February 1998. He later obtained a degree of master of business administration from University of South Australia, Australia, in March 2009 through a distance learning course .

Notes:-

The above Key Senior Management members have no family relationship with any Director and/or major shareholder of 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.

INTRODUCTION

Sustainability is defined as a development that meets the needs of the present without compromising the ability of the future generation to meet their needs. Sustainability is viewed in the context of management of material economic, environment and social ("EES") risks and opportunities.

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

SCOPE

The Board has in place environmental, health and safety policy that governs the Group's practice towards sustainability policy.

The Group shall report the sustainability statement in greater detail and in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements for the year ending 31 December 2018.

SUSTAINABILITY APPROACH

The Group conducts its business activities ethically, in compliance with applicable laws, and responsibilities to all stakeholders.

The Group's sustainability strategy is determined at the Board level which provides oversight of our corporate sustainability performance. We have established a process to collect data, monitor and report key sustainability matters. The quarterly reporting cycle has also been established internally. We have set up a repository to retain all information collected, which are required for our sustainability reporting. In 2018, the Group has a planned program that will incorporate selected sustainability awareness and briefings to create a better understanding of what it has to take to adopt an effective sustainability measures for the Group.

In 2018, our employee induction program will incorporate sustainability policy and practices. The vendors' assessment procedure will also incorporate key sustainability matters as part of the audit process.

STAKEHOLDERS' ENGAGEMENT

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

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

Stakeholders	Method of Engagement
Shareholders	• Annual General Meetings • Corporate communication
Employees	• Employees briefings • Open communication via internal channels such as in-house emails and open door policy
Customers	• Customers' surveys and feedbacks • Face to face meetings
Suppliers	• Suppliers' audit • Suppliers' feedbacks • Suppliers' meetings
Government	• Compliance with government legislative framework
Communities	• Meeting with local communities

MATERIAL SUSTAINABILITY MATTERS

The Group has identified the following matters as key to its sustainability journey:

Economic	• Ethics and conducts • Quality product delivery • Branding and reputation • Local ecosystem diversity and contribution to local supply chain
Environmental	• 3R Concepts (Reduce, Reuse and Recycle) • "Cost With No Waste" initiative
Social	• Support and contribution to communities • Marketplace • Safe and healthy work practice • Work place welfare and balanced lifestyle

ECONOMIC

Ethics and conducts

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

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

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

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

Quality product delivery

The Group is committed to maintain its quality management system in conformity with ISO 9001. We strive to continuously improve the effectiveness of our quality management system and maintain the quality of our products. At the same time, the Group is committed to deliver our end products on a timely manner to our customers.

Furthermore, our new production plant at Batu Kawan will be equipped with a clean room ISO Class 9 environment, a prerequisite for a number of potential customers in the medical device sector to facilitate our diversification into this sector.

Branding and reputation

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

Branding and reputation (cont'd)

Further to the above, the Group has clinched the following awards in 2017, marking a milestone for the Group in its branding:

1) 2017 Alliance Partner of the Year (APAC) – by the National Instruments Corporation (NASDAQ:NATI)
2) Knowles 10 Billion SISONIC MEMS Microphones by Knowles Electronic (Suzhou) Co., Ltd.
3) One of the 200 Asia-Pacific public companies with less than US$1.0 billion in revenue and consistent top- and bottom-line growth on Forbe's list of Asia's Best Under A Billion 2017
4) Malaysia Best Under Billion Awards 2017 by Focus Malaysia

Local ecosystem diversity and contribution to local supply chain

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

1) Create job opportunity;
2) Increase the diversity and efficiency of supply chain; and
3) Allow cost of production to be managed more effectively.

On 16 January 2017, the Group via Pentamaster Technology (M) Sdn. Bhd., together with Vitrox Corporation Berhad and Walta Engineering Sdn. Bhd., entered into a joint venture shareholders' agreement to establish a joint venture company called Penang Automation Cluster Sdn. Bhd. ("JV").

The JV will enable the Group to build a robust and reliable supply chain ecosystem in the country that supports the Group's long-term strategy to grow its business in providing a wider range of high-end automated equipment supporting various industries globally.

ENVIRONMENT

3R Concepts (Reduce, Reuse and Recycle)

The Group remains committed in ensuring that it plays its role in sustaining a greener environment. During the year under review, the Group continued with the recycling and waste management initiative 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.

"Cost With No Waste" initiative

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

SOCIAL

Support and contribution to communities

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.

Socially, 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, the Company contributed towards a fundraising cum publicity event "Charity Hunt 2017" organised by Charis Hospice on 22 April 2017, for its efforts to provide free palliative home care services to patients with advanced illness. The Company also made monetary contribution to other organisations such as Mount Miriam Cancer Hospital and the Pulau Pinang Thalassaemia Society during the year to support the running costs of these centres established for the wellbeing of the needy and the less fortunate.

SOCIAL (cont'd)

Support and contribution to communities (cont'd)

Besides charitable contributions to the welfare of the needy and the less fortunate, other support and contribution activities of the Group includes support of projects and events that promote environment, patriotism, education, and social needs designed to enhance quality of life. In keeping with our past programmes, the Company participated in the Penang Island City Council's 'Most Amenity Trees Planted in 24 Hours' programme in November 2017. The program was held with the intention to increase the number of trees that could absorb rainwater and strengthen the soil, mainly to protect the environment and mitigate the effects of over-development in the past few decades.

Furthermore, on 15 September 2017, the Company participated in the "Raise the Flag" campaign, launched by the Star Media Group, by visiting Kwang Hwa School located in Sungai Nibong, Penang to celebrate Malaysia Day. The main objective of the campaign was to encourage patriotism among pupils in Kwang Hwa School by making mini flags from the cut-out edition of newspaper published by The Star Media Group, under its brand name "The Star". The Group also contributed monetary donations to Kwang Hwa School during the year. Other support included monetary contribution to Heng Ee School Board Berhad and Chung Ling Private High School (both located in Penang) as their sponsor for various events and programs carried out.

Similar to previous years, the Group continue to support the internship program by providing industrial training to students from universities, colleges, polytechnics and other technical/vocational institutions. The Group had, on 16 February 2017 and 21 June 2017, hosted an educational visit by University of Santo Tomas and an industrial educational tour for Universiti Tunku Abdul Rahman (Kampar Campus) for its students, respectively.

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.

Safe and healthy work practice

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 organised quarterly safety audit and ensure continuous health and safety improvements in all of the Group's business operations. Training sessions including emergency first-aid are provided to Emergency Response Team and Employee Safety and Health Committee and fire drill is carried out at least once a year within the Group.

Work place welfare and balanced lifestyle

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, the Company 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, the Group has also made available sports facilities and activities and encourages its employees to participate in sports activities. This also foster closer interaction and team cohesiveness among its employees.

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

- in conjunction with management, establishing a vision and strategies for the Group;
- approving the Group's annual business plan and budget;
- approving specific items of material capital expenditure and investments and disinvestments;
- appointing Directors to the Board;
- appointing and approving the terms and conditions of appointment of 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.

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

I. Board Responsibilities (cont'd)

Sustainability

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

Separation of position of Chairman and Chief Executive Officer

The Non-Executive Chairman is responsible for the conduct of Board meetings and ensures that Board discussions are conducted in a manner that all views are taken into account before a decision is made. The Executive 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 positions of the Non-Executive Chairman and the CEO are held by different individuals.

Company Secretary

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

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

Access to information and advice

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

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

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

I. Board Responsibilities (cont'd)

Board Charter

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

Code of conduct

The Board is committed to uphold compliance with relevant requirements of laws, the Company's Constitution and the Listing Requirements of Bursa Malaysia 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.

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

Whistleblowing policy

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

II. Board Composition

The Board presently has five (5) members which consists of one (1) Executive Director, one (1) Non-Executive Director and three (3) Independent Non-Executive Directors. The Board composition is in line with recommendation under MCCG 2017 where at least half of the Board comprises Independent Directors. 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 12 of this Annual Report.

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

II. Board Composition (cont'd)

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 2017 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.

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

Mr. Loh Nam Hooi has served on the Board as an Independent Director for a tenure of fifteen (15) years. During the financial year, the Board carried out an assessment of the Independent Director and determined that Mr. Loh Nam Hooi has met the independence guidelines as set out in the Listing Requirements as well as the criteria of independence recognized by the Board. The Board had determined that Mr. Loh Nam Hooi is able to bring objective and independent judgement to the Board and recommended him to continue to serve as an Independent Director.

Shareholders' approval to retain independent director

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

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

Criteria used in recruitment and annual assessment

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

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

II. Board Composition (cont'd)

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

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

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

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

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

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

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

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

Time commitment of directors

The Board meets at least four 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.

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

II. Board Composition (cont'd)

Time commitment of directors (cont'd)

During the financial year ended 31 December 2017, there were five (5) Board meetings held. The commitment of the Directors in carrying out their duties is reflected in full attendance of the Directors at Board meetings held during the financial year as shown below:-

Name of Director	Designation	Attendance
Chuah Choon Bin	Non-Executive Chairman	5/5
Chuah Chong Ewe	Chief Executive Officer	5/5
Leng Kean Yong	Independent Non-Executive Director	5/5
Loh Nam Hooi	Independent Non-Executive Director	5/5
Lee Kean Cheong *(Appointed on 19 December 2017)*	Independent Non-Executive Director	-
Gan Pei Joo *(Resigned on 19 December 2017)*	Finance Executive Director	5/5
Sim Seng Loong @ Tai Seng *(Resigned on 19 December 2017)*	Independent Non-Executive Director	5/5

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 2017, the current Directors of the Company had either attended an in-house training programme, seminars or conferences organised externally. The programmes attended by the current Directors during the year, include the following:-

Name of Directors	Name of Course	Mode of training	Number of day (s) spent
Chuah Choon Bin	• Tax Seminar on Budget 2018 • Budget 2018 and GST updates	Workshop Briefing	1 0.5
Chuah Chong Ewe	• Budget 2018 and GST updates	Briefing	0.5
Leng Kean Yong	• Grant Thornton – Companies Act 2016 Seminar	Workshop	1
Loh Nam Hooi	• Budget 2018 and GST updates	Briefing	0.5
Lee Kean Cheong	• Driving Financing Integrity & Performance - Enhancing Financial Literacy For Audit Committee • Capital Market Conference 2017 • Case Study Workshop for independent Directors "Rethinking - Independent Directors: A New Frontier" • Budget 2018	Briefing Conference Workshop Briefing	1 1 1 1
Gan Pei Joo	• Tax Seminar On Budget 2018 • Grant Thornton – Companies Act 2016 Seminar	Workshop Workshop	1 1
Sim Seng Loong @ Tai Seng	• 2018 Business and Tax Seminar • Capital Market Conference 2017	Briefing Conference	1 1

Gender Diversity Policy

The Board acknowledges the recommendations of the MCCG 2017 on the establishment of a gender diversity policy. There is no plan by the Board to implement a gender diversity policy or target, as the Board adheres to the practice of non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group. This includes the selection of Board members. The Company believes in, and provides equal opportunity to candidates with merit.

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

Nominating Committee

The Nominating Committee comprises wholly 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; and

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

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

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

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

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

III. Remuneration

Remuneration policies and procedures

The Remuneration Committee which consists 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 Director abstains from deliberations and voting on the decision in respect of their own remuneration.

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

III. Remuneration (cont'd)

Remuneration policies and procedures (cont'd)

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

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

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

The Remuneration Committee has met once during the financial year.

Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2017 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	1,319,722	20,500
-Contribution by employer to Provident Fund	158,369	-
-Benefits-in-kind (based on estimated money value)	18,800	-
Total	**1,568,891**	**164,500**

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	2,302,682	20,500
-Contribution by employer to Provident Fund	276,334	-
-Benefits-in-kind (based on estimated money value)	28,000	-
Total	**2,679,016**	**164,500**

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

III. Remuneration (cont'd)

Directors' Remuneration (cont'd)

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
300,000 to 350,000	1	-
650,000 to 700,000	1	-
550,000 to 600,000	1	-
Total	**3**	**3**

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	-
1,500,000 to 1,550,000	1	-
Total	**3**	**3**

The individual remuneration of each Director on a named basis is not disclosed as the Directors are of the view that the disclosure by bands above provides sufficient information.

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

Remuneration Band (in RM)	Number of senior management
300,000 to 350,000	3
351,000 to 400,000	1
401,000 to 450,000	1
Total	**5**

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

Audit Committee Composition

The Audit Committee of the Company comprises three (3) Independent Non-Executive Directors with appropriate professional qualifications including accounting and related financial management expertise. The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Lee Kean Cheong, and other members of the Audit Committee include Mr. Loh Nam Hooi and Mr. Leng Kean Yong. The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee's duties and powers include, among others:

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

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

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

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

- review of the Company's financial information

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

  (a) any changes in accounting policies and practices;

  (b) major judgmental areas;

  (c) significant adjustments resulting from audit;

  (d) the going concern assumptions and any qualifications;

  (e) compliance with accounting standards; and

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

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

Compliance with applicable financial reporting standards

The Directors aim to present a fair assessment of the Group's financial performance, position and prospects primarily through the quarterly reports to Bursa 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 to oversee the financial reporting function. The Board is also assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting. Towards this end, the Audit Committee meets to discuss and review the quarterly results and the year end financial statements together with the finance manager and the external auditors where applicable before the financial reports are recommended to the Board for approval and public release.

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

I. Audit Committee (cont'd)

Suitability, objectivity and independence of external auditors

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

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

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

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

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

II. Risk Management and Internal Control Framework

Framework to manage risks

The Board is responsible for establishing a sound framework to manage risks and maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets as required by the MCCG 2017. The Directors also have a general responsibility for taking reasonable steps to prevent and detect fraud and other irregularities. The Statement on Risk Management and Internal Control set out on pages 32 to 34 of this Annual Report, provides an overview of risk management and the state of internal control within the Group.

Internal audit function

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

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

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

The Audit Committee Report set out on pages 35 to 37 of this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

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

I. Communication with Stakeholders

Corporate disclosure policies and procedures

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

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

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

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

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

Where unusual market activity of the Company's securities occurs, the Company will undertake a due enquiry among the Board members and senior management to seek the cause of the unusual market activity. 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.

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

I. Communication with Stakeholders (cont'd)

Use of information technology to disseminate information

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

II. Conduct of General Meetings

Shareholder participation at general meetings

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

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

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

Poll voting

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

Communication and proactive engagement with shareholders

AGMs and EGMs where appropriate remain the most common platform for the Company and the Board to have effective communication and engagement with shareholders about performance, corporate governance and other matters affecting shareholders' interest. In addition, the Board may hold press conference 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 2017, the Group has complied with all the principles and recommendations of the MCCG 2017.

This statement was made in accordance with a Board of Directors' resolution dated 19 April 2018.

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 risk management and internal control of the Group, which had been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

Board's Responsibility

The Board 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 Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

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

Risk Management and Internal Control Structure

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

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

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

Risk Management and Internal Control Structure (Cont'd)

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

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

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

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

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

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

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

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

Risk Management Process

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

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

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

(c) The likelihood of the risks concerned materialising; 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 emphasises on quality and performance of the Group's employees through the development and implementation of human resource policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organisation.

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

Internal Audit Function

The Board 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 2017. 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 of risk management and internal control by External Auditors

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this statement for inclusion in the Annual Report for the financial year ended 31 December 2017 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 19 April 2018.

1. MEMBERSHIP AND MEETINGS

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

	Name and designation	Attendance
Chairman:	Lee Kean Cheong (Independent Non-Executive Director) *Appointed on 19 December 2017*	-
	Sim Seng Loong @ Tai Seng (Independent Non-Executive Director) *Resigned on 19 December 2017*	5/5
Members:	Loh Nam Hooi (Independent Non-Executive Director)	5/5
	Leng Kean Yong (Independent Non-Executive Director)	5/5

2. TERMS OF REFERENCE

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

The Board 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 five (5) times during the financial year ended 31 December 2017 and had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee: -

A. Financial reporting

The Audit Committee reviewed the unaudited quarterly financial results of the Group during its meetings held on 27 February 2017, 9 May 2017, 24 August 2017 and 16 November 2017. On 20 April 2017, the Audit Committee reviewed the audited financial statements of the Group and Company for the year ended 31 December 2016. The Audit Committee's recommendations in respect of the quarterly results and annual audited financial statements were presented to the Board at the respective Board of Directors' meetings for the Board's approval before subsequent release to Bursa Malaysia Securities Berhad and the Securities Commission.

B. External Audit

On 27 February 2017, the Audit Committee reviewed the status of the audit for the financial year ended 31 December 2016 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 20 April 2017, 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 2016. The external auditors reported that there was no material variance in the audited results for the year when compared with unaudited results announced on 27 February 2017. The external auditors briefed the Audit Committee and key audit matters that were of more significance in the audit of the financial statements of the Group and of the Company and how those matters were addressed in the context of the audit.

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

B. External Audit (cont'd)

The external auditors confirmed that they were independent of the Group and of the Company 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 they have fulfilled other ethics responsibilities in accordance with the By-Laws and the IESBA Code in the conduct of their audit.

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 2016 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 16 November 2017, the Audit Committee reviewed and approved the external auditors' audit plan for the Group and the Company for the year ending 31 December 2017. The audit plan covered the key areas of audit focus and the audit approach for each area identified. The Audit Committee was briefed on amendments to accounting standards issued by the Malaysian Accounting Standards Board and noted that the initial application of the standards is not expected to have any material impact on the financial statements of the Group. The Audit Committee also agreed to the proposed reporting schedule for the audit for the financial year ending 31 December 2017 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 3 November 2016 and presented their internal audit reports at the Audit Committee meetings held on 27 February 2017 and 24 August 2017. 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 20 April 2017, the Audit Committee reviewed Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2016 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 2016 for inclusion in the Company's Annual Report 2016.

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 RM32,000.

5. SUMMARY OF WORK OF THE INTERNAL AUDITORS

During the financial year ended 31 December 2017, internal audit reviews have been carried out according to the internal audit plan, which has been approved by the Audit Committee. The internal audit reviews covered production return, quality control management, payroll and purchasing 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

On 17 July 2017, the Company entered into a sale and purchase agreement with GEMS Opportunities Limited Partnership ("GEMS"), pursuant to which, the Company agreed to sell and GEMS agreed to purchase 74 ordinary share(s) of HK0.01 each in the issued share capital of PIL ("PIL Shares"), representing 7.40% of the then equity interest in PIL for a total cash consideration of RM25,500,000 ("GEMS Consideration") which was fully settled in cash on 8 August 2017.

The utilisation of the gross proceeds from GEMS Consideration up to 31 December 2017 is as follows:

Purpose	Amount (RM'000)	Gross proceeds Received RM'000	Actual Utilisation RM'000	Intended Timeframe	Balance RM'000
Expenses in relation to the Proposed Listing	15,000	15,000	9,290	Within 12 months	5,710
Repayment of bank borrowings	7,500	7,500	7,500	Within 12 months	-
Staff and other general administrative and other operating related expenses	2,500	2,500	-	Within 12 months	2,500
Sales and market expenses	500	500	-	Within 12 months	500
Total	**25,500**	**25,500**	**16,790**		**8,710**

AUDIT FEES AND NON-AUDIT FEES

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 December 2017 are as follows:-

	Group (RM)	Company (RM)
Audit fees	449,160	38,000
Non-audit fees*	1,068,422	3,000
Total	**1,517,582**	**41,000**

RECURRENT RELATED PARTY TRANSACTIONS

Set out below are the recurrent related party transactions of the Group for the financial year ended 31 December 2017 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]	2,358,491

Notes
(1) Chuah Chong Ewe is a Director and CEO of the Company, and he has 4.55% direct interest in the ordinary shares of the Company, comprising of 14,390,246 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 the Company. The principal activity of MDSB is property development.

SHARE AWARD SCHEME

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

SHARE AWARD SCHEME (cont'd)

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

Category	No. of PIL Shares	Approximate shareholding in PIL immediately after completion of the Share Award Scheme and before completion of the public offer in relation to PIL Listing	Range of shareholding in PIL immediately after completion of the Share Award Scheme and before completion of the public offer in relation to PIL Listing
Directors of PIL			
- Chuah Choon Bin	3,000	1.26%	
- Gan Pei Joo	860	0.36%	
Heads of department	6,290	2.64%	0.06% - 0.83%
Managers, senior executives and supervisor	9,788	4.11%	0.0004% - 0.39%
Other employees	62	0.026%	0.0004% - 0.006%
Total	**20,000**	**8.40%**	

An Eligible Employees shall not have:

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

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

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

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

DIRECTORS' REPORT

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

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation for the financial year	**39,172,147**	**99,760,550**
Attributable to:		
Owners of the Company	**35,967,745**	**99,760,550**
Non-controlling interests	**3,204,402**	**-**
	39,172,147	**99,760,550**

DIVIDENDS

No dividend has 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 to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company undertook the following:

(i) Bonus issue involving the issuance of 11,725,379 bonus shares on the basis of two (2) bonus shares for every twenty-five (25) existing ordinary shares held ("Bonus Issue"); and

(ii) Share split involving the subdivision of every one (1) existing ordinary share held after Bonus Issue into two (2) ordinary shares in the Company ("Share Split").

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

Other than the foregoing, the Company did not issue any other share or debenture.

DIRECTORS

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

Directors of the Company:

Chuah Choon Bin
Chuah Chong Ewe
Leng Kean Yong
Loh Nam Hooi
Lee Kean Cheong (appointed on 19.12.17)
Gan Pei Joo (resigned on 19.12.17)
Sim Seng Loong @ Tai Seng (resigned on 19.12.17)

Directors of the Subsidiaries:

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

Gan Pei Joo
Hon Tuck Weng
Chan May May (appointed on 19.12.17)
Chuah Jin Chong (appointed on 19.12.17)
Sim Seng Loong @ Tai Seng (appointed on 19.12.17)
Moey Huey Chyan (resigned on 30.6.17)

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 in the Company and its related corporations during the financial year are as follows:

Directors of the Company

	Number of ordinary shares					
	Balance at 1.1.17	**Bought**	**Bonus Issue**	**Share Split**	**Sold**	**Balance at 31.12.17**
Interest in the Company						
Direct Interest:						
Chuah Choon Bin	30,642,000	-	2,451,360	33,093,360	(4,000,000)	62,186,720
Chuah Chong Ewe	6,662,151	-	532,972	7,195,123	-	14,390,246
Loh Nam Hooi	90,000	-	7,200	97,200	-	194,400
Indirect Interest:						
Chuah Choon Bin	28,500*	-	2,280	30,780	-	61,560

* Deemed interest by virtue of shares held by spouse.

	Number of ordinary shares of HKD0.01			
	Date of incorporation 12.6.17	**Bought**	**Sold**	**Balance at 31.12.17**
Interest in a subsidiary				
Pentamaster International Limited				
Direct Interest:				
Chuah Choon Bin	-	3,000	-	3,000

DIRECTORS' INTERESTS IN SHARES (cont'd)

Directors of the subsidiaries of the Company

	Number of ordinary shares					
	Balance at 1.1.17	Bought	Bonus Issue	Share Split	Sold	Balance at 31.12.17
Interest in the Company						
Direct Interest:						
Gan Pei Joo	79,100	-	8	108	(79,000)	216
Hon Tuck Weng	100	-	8	108	-	216

	Number of ordinary shares of HKD0.01			
	Date of incorporation 12.6.17	Bought	Sold	Balance at 31.12.17
Interest in a subsidiary				
Pentamaster International Limited				
Direct Interest:				
Gan Pei Joo	-	860	-	860
Hon Tuck Weng	-	135	-	135

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

DIRECTORS' FEES AND BENEFITS

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

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Salaries, bonus and allowance	1,340,222	982,960	2,323,182
Defined contribution plan	158,369	117,965	276,334
Fees	216,000	-	216,000
Benefits-in-kind	18,800	9,200	28,000
Indemnity given to or insurance effected for any director	-	-	-
	1,733,391	1,110,125	2,843,516

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

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

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 so 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.

In the opinion of the directors:

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

(ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, and

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

There was no indemnity given to or insurance effected for the officers of the Group and of the Company.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 32 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, Grant Thornton, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2017 were RM187,800 and RM38,000 respectively.

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

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

Signed in accordance with a resolution of the Directors:

....

Chuah Choon Bin

....

Chuah Chong Ewe

Penang,

Date: 19 April 2018

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 53 to 111 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors:

....
Chuah Choon Bin

....
Chuah Chong Ewe

Date: 19 April 2018

STATUTORY DECLARATION

I, Chuah Choon Bin, the director primarily responsible for the financial management of Pentamaster Corporation Berhad do solemnly and sincerely declare that the financial statements set out on pages 53 to 111 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 **19th**)
day of **April 2018**.)
)

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

Before me,

....
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pentamaster Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 53 to 111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilites

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for 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 right *(Note 7 to the financial statements)*	
Included in the Group's intangible assets is an amount of RM2.08 million comprising of project management right to a development project in Kelantan. The amortisation of the project management right 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 amortisation of the project management right included: – Site-visit to the development project. – Obtaining the reference data in which management used to determine the stage of completion of the project and understand key estimates made. – 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories *(Note 8 to the financial statements)*	
The Group has significant inventories as at 31 December 2017 which mainly comprised of work-in-progress. Inventories are valued at the lower of cost and net realisable value. 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.	Our audit procedures in relation to the valuation of inventories included: – Obtaining an understanding of: (i) how the Group determines the cost allocation of inventories; (ii) how the Group identify and assess inventories write-downs; and (iii) how the Group makes the accounting estimates for inventories write-downs. – Evaluating the appropriateness of the methodology applied in determining the cost of inventories and critically assessing the calculation. – On a sampling basis, test the accuracy of cost absorption against underlying supporting documents. – Considering the ageing of the inventories. – On a sampling basis, we have independently reviewed the net realisable value of inventories. – Reviewing the consistency of the application of management's methodology for calculating the provision from year to year. – Reviewing the adequacy of the provision estimated and provided in the financial statements.
Impairment of receivables *(Notes 9 and 10 to the financial statements)*	
The Group has significant exposure to credit risk arising from its trade receivables as well as outstanding balance from project financing activity as at 31 December 2017. 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.	Our audit procedures in relation to management's impairment assessment included: – Obtaining an understanding of: (i) the Group's control over the trade receivables' collection process; (ii) how the Group identify 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. – In respect of the outstanding balance arising from project financing activity, we have verified that such advances are provided for in accordance with the project financing and management agreement and for construction related expenditure of the project. We have also discussed with management on their assessment of the recoverability of the advances extended.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *(Note 22 to the financial statements)*	
The revenue recognition from the automated equipment and automated manufacturing solution segments depends on the nature of the contractual arrangement with the customer and this could impact the point at which the risks and rewards of ownership is passed on to the customer. The revenue from these activities amounted to RM272 million. We have identified revenue recognition as a key audit matter as there is a risk that revenue maybe incorrectly recognised as different contractual arrangements with customers will result in different timing in which revenue can be recognised.	Our audit procedures in relation to revenue recognition included: – Obtaining an understanding of the Group's revenue recognition process and application and thereafter testing controls on the occurrence of revenue. – Performed analytical procedures on the trend of revenue recognised to identify for any abnormalities. – On a sampling basis, we have performed substantive testing to verify that revenue recognition criteria are being properly applied. – Assessing whether revenue is recognised in the correct period by testing cut-off through assessing sales transactions taking place at either side of the balance sheet date as well as reviewing credit notes and sales returns issued after the balance sheet date.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Directors' Responsibilities for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 Group and 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 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 5 to the financial statements.

Other Matters

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

Grant Thornton
No. AF: 0042
Chartered Accountants

Terence Lau Han Wen
No.03298/04/2019 J
Chartered Accountant

Date: 19 April 2018

Penang

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTE	GROUP **2017** RM	GROUP (Restated) 2016 RM	COMPANY **2017** RM	COMPANY 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**45,970,764**	43,418,337	**263**	893
Investment in subsidiaries	**5**	**-**	-	**79,346,874**	27,973,822
Investment in an associate	**6**	**1,011,114**	-	**-**	-
Intangible assets	**7**	**3,012,847**	5,304,127	**-**	-
		49,994,725	48,722,464	**79,347,137**	27,974,715
Current assets					
Inventories	**8**	**121,570,224**	17,617,249	**-**	-
Trade receivables	**9**	**41,038,415**	36,441,779	**-**	-
Other receivables, deposits and prepayments	**10**	**60,962,980**	6,854,343	**31,963,007**	326,590
Amount due from subsidiaries	**11**	**-**	-	**37,252,546**	14,396,994
Derivative financial assets	**12**	**461,133**	-	**-**	-
Tax recoverable		**19,756**	429,357	**110**	-
Investment securities	**13**	**-**	2,562,828	**-**	-
Cash and cash equivalents	**14**	**82,202,027**	30,843,370	**182,557**	4,346,372
		306,254,535	94,748,926	**69,398,220**	19,069,956
TOTAL ASSETS		**356,249,260**	143,471,390	**148,745,357**	47,044,671
EQUITY AND LIABILITIES					
Share capital	**15**	**79,303,370**	73,283,667	**79,303,370**	73,283,667
Share premium	**16**	**-**	6,019,703	**-**	6,019,703
Retained profits/(Accumulated losses)	**17**	**100,916,795**	28,893,085	**67,083,757**	(32,676,793)
		180,220,165	108,196,455	**146,387,127**	46,626,577
Non-controlling interests		**20,126,336**	3,977,807	**-**	-
Total equity		**200,346,501**	112,174,262	**146,387,127**	46,626,577
Non-current liabilities					
Borrowings	**18**	**3,762,026**	269,238	**-**	-
Deferred income	**19**	**419,218**	450,420	**-**	-
		4,181,244	719,658	**-**	-
Current liabilities					
Trade payables*	**20**	**26,049,439**	10,919,585	**-**	-
Other payables, accruals and provision*	**21**	**124,640,300**	15,928,141	**430,979**	418,078
Amount due to a subsidiary	**11**	**-**	-	**1,927,251**	-
Derivative financial liabilities	**12**	**-**	3,526,936	**-**	-
Borrowings	**18**	**507,212**	177,906	**-**	-
Provision for taxation		**524,564**	24,902	**-**	16
		151,721,515	30,577,470	**2,358,230**	418,094
		155,902,759	31,297,128	**2,358,230**	418,094
TOTAL EQUITY AND LIABILITIES		**356,249,260**	143,471,390	**148,745,357**	47,044,671

* *Accrued purchases amounting to RM641,071 was classified under accruals in the prior financial year. This amount has been reclassified to trade payables to conform with current year's presentation.*

The notes set out on pages 59 to 111 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
Revenue	**22**	**284,189,520**	151,938,453	**3,221,000**	5,420,000
Cost of goods sold		**(203,552,935)**	(103,469,169)	**-**	-
Gross profit		**80,636,585**	48,469,284	**3,221,000**	5,420,000
Other income		**5,461,734**	5,393,717	**100,449,215**	177,845
Distribution costs		**(5,390,336)**	(2,959,495)	**-**	-
Administrative expenses		**(36,356,584)**	(21,837,605)	**(3,967,448)**	(5,554,793)
Other operating expenses		**(165,791)**	(133,879)	**(13,099)**	(18,400)
Operating profit		**44,185,608**	28,932,022	**99,689,668**	24,652
Finance costs		**(165,612)**	(93,731)	**70,882**	(70,882)
Share of result of an associate		**(38,886)**	-	**-**	-
Profit/(Loss) before taxation	**23**	**43,981,110**	28,838,291	**99,760,550**	(46,230)
Taxation	**24**	**(4,808,963)**	746,550	**-**	(126)
Profit/(Loss) for the financial year, representing total comprehensive income/(loss)		**39,172,147**	29,584,841	**99,760,550**	(46,356)
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) attributable to:					
Owners of the Company		**35,967,745**	27,028,419	**99,760,550**	(46,356)
Non-controlling interests		**3,204,402**	2,556,422	**-**	-
		39,172,147	29,584,841	**99,760,550**	(46,356)
Earnings per share attributable to owners of the Company (Sen):-					
- Basic/Diluted	**25**	**11.36**	8.69		

The notes set out on pages 59 to 111 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		|----- Attributable to Owners of the Company -----|					
			Non-distributable	Distributable			
	NOTE	**Share Capital RM**	**Share Premium RM**	**Retained profits RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
2017							
Balance at beginning		**73,283,667**	**6,019,703**	**28,893,085**	**108,196,455**	**3,977,807**	**112,174,262**
Total comprehensive income for the financial year		**-**	**-**	**35,967,745**	**35,967,745**	**3,204,402**	**39,172,147**
Transition to no-par value regime on 31 January 2017	**15/16**	**6,019,703**	**(6,019,703)**	**-**	**-**	**-**	**-**
Transactions with owners:							
Acquisition of non-controlling interests	**5**	**-**	**-**	**(1,022,760)**	**(1,022,760)**	**(4,977,240)**	**(6,000,000)**
Disposal of equity interest in a subsidiary to non-controlling interests	**5**	**-**	**-**	**37,078,725**	**37,078,725**	**17,921,367**	**55,000,092**
		-	**-**	**36,055,965**	**36,055,965**	**12,944,127**	**49,000,092**
Balance at end		**79,303,370**	**-**	**100,916,795**	**180,220,165**	**20,126,336**	**200,346,501**
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	15/16	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

The notes set out on pages 59 to 111 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	**Share Capital RM**	Non-distributable **Share Premium RM**	Distributable **Retained profits/ (Accumulated Losses) RM**	**Total Equity RM**
2017					
Balance at beginning		**73,283,667**	**6,019,703**	**(32,676,793)**	**46,626,577**
Transition to no-par value regime on 31 January 2017	**15/16**	**6,019,703**	**(6,019,703)**	**-**	**-**
Total comprehensive income for the financial year		**-**	**-**	**99,760,550**	**99,760,550**
Balance at end		**79,303,370**	**-**	**67,083,757**	**146,387,127**
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	15/16	4,663,492	475,003	-	5,138,495
Balance at end		73,283,667	6,019,703	(32,676,793)	46,626,577

The notes set out on pages 59 to 111 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
				(Restated)
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	**43,981,110**	28,838,291	**99,760,550**	(46,230)
Adjustments for:				
Amortisation of intangible assets	**2,747,688**	5,515,876	**-**	-
Deferred income released	**(292,837)**	(1,047,952)	**-**	-
Depreciation	**2,535,333**	2,839,788	**630**	630
Fair value gain on investment securities	**-**	(529,228)	**-**	-
Gain on disposal of investment in subsidiaries	**-**	-	**(100,371,903)**	-
Gain on disposal of investment securities	**(73,664)**	-	**-**	-
Gain on disposal of property, plant and equipment	**(6,999)**	(37,733)	**-**	(26,885)
(Gain)/Loss on changes in fair value of foreign currency forward contracts	**(3,988,069)**	3,333,876	**-**	-
Impairment loss on receivables	**106,000**	469,400	**-**	-
Intangible assets written off	**7**	508,134	**-**	-
Interest expense	**165,612**	93,731	**(70,882)**	70,882
Interest income	**(735,490)**	(433,477)	**(77,103)**	(150,959)
Inventories written down - addition	**7,391**	33,566	**-**	-
- reversal	**(8,772)**	(8,462)	**-**	-
Property, plant and equipment written off	**13,790**	6	**-**	6
Provision for warranty - current year	**444,000**	165,000	**-**	-
- reversal	**(195,000)**	(7,000)	**-**	-
Share of result of an associate	**38,886**	-	**-**	-
Unrealised loss/(gain) on foreign exchange	**7,229,574**	(1,076,340)	**-**	-
Operating profit/(loss) before working capital changes	**51,968,560**	38,657,476	**(758,708)**	(152,556)
Increase in inventories	**(103,951,594)**	(11,099,004)	**-**	-
(Increase)/Decrease in receivables	**(33,830,871)**	(20,264,352)	**(2,136,417)**	1,966,354
Increase/(Decrease) in payables	**123,714,197**	12,996,346	**12,901**	(533,393)
Cash generated from/(used in) operations	**37,900,292**	20,290,466	**(2,882,224)**	1,280,405
Government grants received	**261,635**	367,675	**-**	-
Income tax paid	**(4,042,353)**	(3,098,801)	**(126)**	(110)
Income tax refunded	**142,653**	148	**-**	148
Interest paid	**(165,612)**	(93,731)	**70,882**	(70,882)
Net cash from/(used in) operating activities/ Balance carried forward	**34,096,615**	17,465,757	**(2,811,468)**	1,209,561

The notes set out on pages 59 to 111 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	GROUP		COMPANY	
				(Restated)
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Balance brought forward	**34,096,615**	17,465,757	**(2,811,468)**	1,209,561
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**735,490**	433,477	**77,103**	150,959
Investment in an associate	**(1,050,000)**	-	**-**	-
Investment in a subsidiary	**-**	-	**(1,149)**	-
Investment in additional equity interest in a subsidiary	**(6,000,000)**	-	**(6,000,000)**	-
Net changes in related subsidiaries' balances #	**-**	-	**(20,928,301)**	(5,713,707)
Proceeds from disposal of property, plant and equipment	**7,000**	37,736	**-**	26,887
Proceeds from disposal of investment in a subsidiary	**25,500,000**	-	**25,500,000**	-
Proceeds from disposal of investment securities	**2,636,492**	-	**-**	-
Purchase of computer software	**(456,415)**	(471,997)	**-**	-
Purchase of investment securities	**-**	(2,033,600)	**-**	-
Purchase of property, plant and equipment *	**(5,101,551)**	(3,815,652)	**-**	-
Net cash from/(used in) investing activities	**16,271,016**	(5,850,036)	**(1,352,347)**	(5,535,861)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to non-controlling interests	**-**	(400,000)	**-**	-
Drawdown of term loan	**4,000,000**	-	**-**	-
Payment of finance lease liabilities	**(177,906)**	(195,463)	**-**	-
Proceeds from issuance of shares	**-**	5,138,495	**-**	5,138,495
Proceeds from issuance of shares to non-controlling interests of a subsidiary	**92**	-	**-**	-
Net cash from financing activities	**3,822,186**	4,543,032	**-**	5,138,495
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**54,189,817**	16,158,753	**(4,163,815)**	812,195
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,831,160)**	(697,501)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING	**30,843,370**	15,382,118	**4,346,372**	3,534,177
CASH AND CASH EQUIVALENTS AT END	**82,202,027**	30,843,370	**182,557**	4,346,372

* **Purchase of property, plant and equipment**				
Total acquistion cost	**5,101,551**	4,215,652	**-**	-
Acquired under finance lease liabilities	**-**	(400,000)	**-**	-
Total cash acquisition	**5,101,551**	3,815,652	**-**	-

Non-trade movement of subsidiaries' balances was previously reflected under cash flows from operating activities. The amount has been reclassified to cash flows from investing activities to conform with current year's presentation.

The notes set out on pages 59 to 111 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 19 April 2018.

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.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

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

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

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

Amendments to MFRS 107 Disclosure Initiatives

The amendments require the Group and the Company to provide disclosures of changes in its liabilities arising from financing activities, including both changes arising from cash and non-cash transactions. The information regarding this new disclosure is disclosed in Note 29.8 to the financial statements. Per guidance of the amendments, comparative information for the preceding period is not required.

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 2018
Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers

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 (cont'd)

Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
MFRS 16 Leases
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Int 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

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 the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group expects that the adoption of the new standard will have no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of MFRS 9. MFRS 9 replaces the incurred loss model in MFRS 139 with a forward looking "expected credit loss model". The Group has performed an assessment and expects to apply the simplified approach and record lifetime expected losses on all its trade receivables using a provision matrix based on historical observed default rates which are adjusted for forward-looking estimates established.

The Group is presently in the progress of tabulating the provision matrix and it is expected that additional provision for impairment loss will be recognised upon adoption of MFRS 9. However the mentioned impact will not be material as the Group deals with customers who are reputable and have low credit risk.

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

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

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers* and *IC Interpretation 131 Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard specifies that revenue is to be recognised when control over the goods or services is transferred to the customer, moving from the transfer of risk and rewards.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The impact from the adoption of MFRS 15 to the Group are discussed below:-

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 3.12 to the financial statements. At present, revenue arising from sale of goods is generally recognised when the risk and rewards of ownership have been passed on to the customers.

Under MFRS 15, revenue is recognised when customer obtains control of the promised goods or services in the contract. MFRS 15 identifies three (3) situations where control of the promised goods or services is regarded as being transferred over time:

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

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

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

As the transfer of risk and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occur, the adoption of MFRS 15 may affect the recognition method of the Group's sale of goods. The Group has assessed that existing "open" contracts for sale of goods as at 31 December 2017 does not fall into any of the three (3) mentioned situations and therefore the adoption of MFRS 15 will not result in any transition adjustments. However, future sales contracts entered by the Group may contain elements which will trigger revenue from sale of goods to be recognised over time.

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 Leases* (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 (i.e., 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 is currently assessing the financial impact of adopting *MFRS 16*.

2.6 Significant Accounting Estimates and Judgements

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

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

2.6.1 Judgements made in applying accounting policies

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

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:

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)**

(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 three (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) **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.

(iv) **Inventories**

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

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

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

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

(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.

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

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

(v) **Associate**

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

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

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

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

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

(vi) **Non-controlling interests**

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

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

(vii) **Transactions eliminated on consolidation**

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

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

3.2 **Property, Plant and Equipment**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment (cont'd)

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:

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

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

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

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

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

3.3 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.

Finance Lease

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

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.

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.

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

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

Research and Development (cont'd)

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.

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

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 categorized 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.

(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.

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

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

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

Financial assets (cont'd)

(iii) **Fair value through profit or loss (cont'd)**

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.

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

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

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.

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

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.

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

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, Share Issuance Expenses and Dividends**

Classification

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

Share issuance costs

Prior to Companies Act 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 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.

3.20 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 Group.

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

4. **PROPERTY, PLANT AND EQUIPMENT**

GROUP

	Leasehold land RM	Buildings on leasehold land RM	Machinery and equipment RM	Furniture, fittings and office equipment RM	Computers RM	Electrical installation RM	Motor vehicles RM	Capital expenditure in progress RM	Total RM
2017									
At cost									
Balance at beginning	**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**
Additions	**-**	**460,000**	**12,000**	**19,100**	**757,875**	**-**	**-**	**3,852,576**	**5,101,551**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(32,250)**	**-**	**(32,250)**
Written off	**-**	**-**	**(578,630)**	**(1,024,351)**	**(146,064)**	**(12,344)**	**-**	**-**	**(1,761,389)**
Reclassification	**5,015,490**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,015,490)**	**-**
Balance at end	**8,705,449**	**44,233,661**	**16,069,067**	**1,063,907**	**3,149,448**	**2,313,120**	**3,509,534**	**1,344,831**	**80,389,017**
Accumulated depreciation									
Balance at beginning	**940,427**	**9,457,579**	**14,445,174**	**1,973,449**	**1,845,829**	**2,313,543**	**2,686,767**	**-**	**33,662,768**
Current charge	**61,499**	**783,973**	**932,654**	**34,533**	**478,178**	**2,272**	**242,224**	**-**	**2,535,333**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(32,249)**	**-**	**(32,249)**
Written off	**-**	**-**	**(571,963)**	**(1,017,535)**	**(145,759)**	**(12,342)**	**-**	**-**	**(1,747,599)**
Balance at end	**1,001,926**	**10,241,552**	**14,805,865**	**990,447**	**2,178,248**	**2,303,473**	**2,896,742**	**-**	**34,418,253**
Carrying amount	**7,703,523**	**33,992,109**	**1,263,202**	**73,460**	**971,200**	**9,647**	**612,792**	**1,344,831**	**45,970,764**
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

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

COMPANY

	Computers RM	Motor vehicles RM	Total RM
2017			
At cost	**3,150**	**-**	**3,150**
Accumulated depreciation			
Balance at beginning	**2,257**	**-**	**2,257**
Current charge	**630**	**-**	**630**
Balance at end	**2,887**	**-**	**2,887**
Carrying amount	**263**	**-**	**263**
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

GROUP

(i) The carrying amount of leasehold land amounting to RM5,015,490 (2016: RM Nil) is charged to a licensed bank as security for banking facility granted to a subsidiary.

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

	2017 RM	2016 RM
Motor vehicles	**421,536**	594,063

5. INVESTMENT IN SUBSIDIARIES

	COMPANY 2017 RM	2016 RM
Unquoted shares, at cost		
Balance at beginning	**28,473,821**	28,473,821
Additions	**92,777,636**	-
Disposal	**(41,904,583)**	-
	79,346,874	28,473,821
Less: Accumulated impairment loss		
Balance at beginning	**(499,999)**	(499,999)
Disposals	**499,999**	-
Balance at end	**-**	(499,999)
Balance at end	**79,346,874**	27,973,822

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

	Name of Company	Effective Equity Interest 2017	2016	Principal Activities
	Direct			
#	Pentamaster International Limited (Incorporated in Cayman Islands)	**84.2%**	-	Investment holding.
	Pentamaster Smart Solution Sdn. Bhd.	**100%**	100%	Designing and manufacturing of smart control solution systems.
	Origo Ventures (M) Sdn. Bhd.	**100%**	100%	Property project management activities.
	Indirect – held through Pentamaster International Limited			
	Pentamaster Technology (M) Sdn. Bhd. ^	**100%**	100%	Design, assembly, installation of computerised automation systems and equipment.
	Pentamaster Equipment Manufacturing Sdn. Bhd. ^	**100%**	100%	Equipment design and manufacturing services and manufacturing of high precision machine parts.
	Pentamaster Instrumentation Sdn. Bhd. ^	**100%**	60%	Designing and manufacturing of automated testing equipment and test and measurement system.

Audited by a member firm of Grant Thornton International Limited.

^ *The equity interest was held directly by the Company up to the Re-organisation Exercise as discussed below.*

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

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

2017

On 9 June 2017, the Company has acquired the remaining 40% shareholding in its subsidiary, Pentamaster Instrumentation Sdn. Bhd. ("PU"), comprising of 120,000 ordinary shares for a total cash consideration of RM6,000,000. Upon completion of the acquisition, PU become a wholly-owned subsidiary of the Company. The Group recognised a decrease in non-controlling interest of RM4,977,240.

Re-organisation Exercise

On 12 June 2017, the Company has incorporated a wholly-owned subsidiary, Pentamaster International Limited ("PIL") in Cayman Islands with an authorised share capital of HKD380,000 comprising of 38,000,000 ordinary shares of HKD0.01 each and paid up capital of HKD0.01 comprising of 1 ordinary share of HKD0.01 each.

On 17 July 2017, the Company transferred its entire equity interests in Pentamaster Technology (M) Sdn. Bhd. ("PT"), Pentamaster Equipment Manufacturing Sdn. Bhd. ("PEM") and PU to PIL for a total consideration of equivalent to RM86,776,487, settled via the issuance of 999 ordinary shares of HKD0.01 each in PIL to the Company. Upon completion of the transfer, the mentioned subsidiaries became wholly-owned subsidiaries of PIL. On even date, the Company disposed of 7.4% of its equity interest in PIL representing 74 ordinary shares of HKD0.01 each to a third party for a cash consideration of equivalent to RM25,500,000 ("Third-Party Disposal"). On 8 December 2017, the Company subscribed to additional 219,551 ordinary shares of PIL for a total cash consideration equivalent to RM1,149.

On 19 December 2017, the Company disposed of 20,000 ordinary shares of HKD0.01 each in PIL, representing 8.4% of equity interest in PIL to eligible employees of the Group for a total cash consideration of equivalent to RM29,500,000 ("Share Award Transfer"). Following the Third-Party Disposal and Share Award Transfer, the Company's equity interest in PIL was reduced to 84.2% as at the end of the reporting period. On even date, PIL increased in authorised share capital from HKD380,000 to HKD50,000,000 divided into 5,000,000,000 ordinary shares of HKD0.01 each by the creation of an additional 4,962,000,000 ordinary shares of HKD0.01 each. Following the increased in authorised share capital, 1,407,761,904 ordinary shares of HKD0.01 each were allocated proportionately to the existing shareholders of PIL by way of capitalisation of an amount equivalent to HKD14,077,619 from the share premium account of PIL ("Capitalisation Issue"). The Capitalisation Issue was completed on 19 January 2018.

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

(ii) Non-controlling interests in a subsidiary

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

	Pentamaster International Limited and its subsidiaries		Pentamaster Instrumentation Sdn. Bhd.	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
NCI percentage of ownership interest and voting interest	**15.8%**	-	**-**	40%
Carrying amount of NCI	**20,126,336**	-	**-**	3,977,807
Profit allocated to NCI	**2,204,969**	-	**-**	2,556,422
Summarised financial information before intra-group elimination				
As at 31 December				
Non-current assets	**47,856,284**	-	**-**	269,007
Current assets	**244,152,824**	-	**-**	12,566,843
Non-current liabilities	**(454,890)**	-	**-**	(69,436)
Current liabilities	**(164,172,346)**	-	**-**	(2,821,920)
Net assets	**127,381,872**	-	**-**	9,944,494
Financial year ended 31 December				
Revenue	**271,643,017**	-	**-**	14,959,652
Profit after tax, representing total comprehensive income for the financial year	**40,696,338**	-	**-**	6,391,056
Summary of cash flows for the financial year ended 31 December				
Net cash from operating activities	**57,164,393**	-	**-**	5,693,932
Net cash (used in)/from investing activities	**(3,309,493)**	-	**-**	1,213,904
Net cash from/(used in) financing activities	**4,321,232**	-	**-**	(953,880)
Net cash inflow for the financial year	**58,176,132**	-	**-**	5,953,956

6. INVESTMENT IN AN ASSOCIATE

	GROUP	
	2017	2016
	RM	RM
Unquoted shares, at cost	**1,050,000**	-
Share of post-acquisition reserves	**(38,886)**	-
	1,011,114	-

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

	Name of Company	Effective Equity Interest		Principal Activities
		2017	2016	
	Direct			
#	Penang Automation Cluster Sdn. Bhd. ("PAC")	**35 %**	-	Providing value added engineering development and technical training to automation cluster companies specialised in the area of design, development and manufacture of high precision metal fabrication components, modules and systems for semiconductor, electronics, automotive, aerospace and other high growth industries in the region.

 # Not audited by Grant Thornton.

2017

On 16 January 2017, PT, a subsidiary of the Company had invested in PAC together with two other parties wherein PT had subscribed to 35% equity interest equivalent to 1,050,000 ordinary shares of the issued and paid up capital of PAC for a cash consideration of RM1,050,000.

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

	2017	2016
	RM	RM
Summarised financial information		
As at 31 December		
Current assets	**2,890,613**	-
Current liabilities	**(8,216)**	-
Net assets	**2,882,397**	-
Year ended 31 December		
Net loss, representing total comprehensive loss	**(111,103)**	-
Included in total comprehensive loss above are the following:		
Other income	**4,233**	
Administrative expenses	**(115,336)**	-

6. INVESTMENT IN AN ASSOCIATE (CONT'D)

	2017 RM	2016 RM
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**1,008,839**	-
Goodwill	**2,275**	-
Carrying amount in the statement of financial position	**1,011,114**	-
Group's share of results for the financial year ended 31 December		
Group's share of loss	**(38,886)**	-
Contractual commitments		
Purchase of investment properties	**1,760,382**	-

7. INTANGIBLE ASSETS

	GROUP 2017 RM	GROUP 2016 RM
Project management right (Note 7.1)	**2,078,133**	4,100,106
Development expenditure (Note 7.2)	**349,716**	699,432
Computer software acquired (Note 7.3)	**584,998**	504,589
	3,012,847	5,304,127

7.1 Project management right

	GROUP 2017 RM	GROUP 2016 RM
At cost	**9,000,000**	9,000,000
Accumulated amortisation		
Balance at beginning	**4,899,894**	504,000
Current charge	**2,021,973**	4,395,894
Balance at end	**6,921,867**	4,899,894
Carrying amount	**2,078,133**	4,100,106

The project management right entails the Group to manage the construction of a phase of a property development project and is amortised over the construction period of the property development project. The project is expected to complete in 2018.

7. INTANGIBLE ASSETS (CONT'D)

7.2 Development expenditure

	GROUP	
	2017	2016
	RM	RM
At cost		
Balance at beginning	**19,246,299**	20,093,189
Written off	**-**	(846,890)
Balance at end	**19,246,299**	19,246,299
Accumulated amortisation		
Balance at beginning	**14,956,867**	14,776,529
Current charge	**349,716**	519,094
Written off	**-**	(338,756)
Balance at end	**15,306,583**	14,956,867
Impairment loss	**3,590,000**	3,590,000
Carrying amount	**349,716**	699,432

(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 five (5) years. Amortisation commences upon commercialisation of the respective products developed.

(ii) The development expenditure written off relates to two models which demand fell short of management's initial expectation.

7.3 Computer software acquired

	GROUP	
	2017	2016
	RM	RM
At cost		
Balance at beginning	**3,061,950**	2,589,953
Additions	**456,415**	471,997
Written off	**(39,283)**	-
Balance at end	**3,479,082**	3,061,950
Accumulated amortisation		
Balance at beginning	**2,557,361**	1,956,473
Current charge	**375,999**	600,888
Written off	**(39,276)**	-
Balance at end	**2,894,084**	2,557,361
Carrying amount	**584,998**	504,589

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 two (2) to five (5) years. The amount amortised is charged to profit or loss of the Group under administrative expenses.

8. INVENTORIES

	GROUP	
	2017	2016
	RM	RM
Raw materials	**3,239,003**	998,341
Work-in-progress	**118,020,803**	16,218,870
Finished goods	**310,418**	400,038
	121,570,224	17,617,249
Recognised in profit or loss:		
Inventories recognised as cost of sales	**197,957,014**	98,162,571
Write-down to net realisable value		
- Addition	**7,391**	33,566
- Reversal	**(8,772)**	(8,462)

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

9. TRADE RECEIVABLES

	GROUP	
	2017	2016
	RM	RM
Trade receivables	**41,144,415**	37,147,229
Less: Allowance for impairment		
Balance at beginning	**(705,450)**	(372,997)
Current year	**(106,000)**	(469,400)
Written off	**705,450**	136,947
Balance at end	**(106,000)**	(705,450)
	41,038,415	36,441,779

(i) The normal credit terms granted to trade receivables range from **14 to 90 days** (2016: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Included in trade receivables are the following:

(a) an amount of RM442,865 (2016: RM91,517) being retention sum relating to an ongoing smart building solutions project.

(b) an amount of RM5,390,000 (2016: RM3,633,000) due from a related party, MDSB.

9. TRADE RECEIVABLES (CONT'D)

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

	GROUP	
	2017	2016
	RM	RM
Ringgit Malaysia	**22,156,608**	8,312,711
US Dollar	**15,891,832**	27,723,529
Singapore Dollar	**2,989,975**	405,539
	41,038,415	36,441,779

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Other receivables (i)	**52,199,732**	3,611,590	**29,500,000**	305,300
Refundable deposits	**614,896**	424,783	**3,900**	3,900
Non-refundable deposits (ii)	**1,478,098**	1,574,162	**9,434**	-
Prepayments	**3,637,771**	196,607	**2,429,624**	17,390
GST claimable	**3,032,483**	1,047,201	**20,049**	-
	60,962,980	6,854,343	**31,963,007**	326,590

(i) Included in other receivables are the following:-

GROUP

(a) RM22,642,020 (2016: RM2,360,222) due from a related party, MDSB for project financing expenses paid on behalf of MDSB for the property development project in which the Group is managing (Refer to Note 7.1 to the financial statements). The amount is repayable upon issuance of the Certificate of Vacant Possession for the development project which is expected to be obtained by the end of 2018.

GROUP AND COMPANY

(b) RM29,500,000 (2016 :RM Nil) due from employees of the Group as a result of the Share Award Transfer (Refer to Note 5 to the financial statements). The amount was fully settled in January 2018.

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

11. AMOUNT DUE FROM/TO SUBSIDIARIES

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

12. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	GROUP	
	2017	2016
	RM	RM
Derivatives at fair value through profit or loss		
- Foreign currency forward contracts		
Notional value of contracts	**94,181,450**	53,585,340
Assets/(Liabilities)	**461,133**	(3,526,936)

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

13. INVESTMENT SECURITIES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	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)
	-	-	**-**	-
Fair value through profit or loss:				
- Quoted shares outside Malaysia, at cost	**2,562,828**	2,562,828	**-**	-
Less: Disposal	**(2,562,828)**	-	**-**	-
	-	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 2018.

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

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Cash and bank balances	**68,096,129**	12,371,605	**182,557**	341,508
Fixed deposits with a licensed bank	**4,702,320**	7,396,070	**-**	4,004,864
Short-term investment	**9,403,578**	11,075,695	**-**	-
	82,202,027	30,843,370	**182,557**	4,346,372

(i) The effective interest rate of the fixed deposits as at the end of the reporting period is **3.00%** (2016: 3.55%) per annum.

(ii) The effective interest rate for the short-term investment is 3.37% (2016: 3.57%) per annum and can be redeemed at any time upon notice being given to the financial institution. The short-term investment represents investment in unit trusts. The unit trusts invest in a mixture of money market instruments with different maturity period.

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Ringgit Malaysia	**20,639,785**	23,062,958	**182,557**	4,345,565
US Dollar	**61,231,571**	7,523,749	**-**	-
Chinese Renminbi	**201,214**	148,058	**-**	-
Euro	**11,122**	70,944	**-**	-
Singapore Dollar	**99,155**	30,058	**-**	-
Others	**19,180**	7,603	**-**	807
	82,202,027	30,843,370	**182,557**	4,346,372

15. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017	2016	**2017**	2016
			RM	RM
Issued and fully paid:				
Balance at beginning	**146,567,333**	137,240,350	**73,283,667**	68,620,175
Transition to no-par value regime on 31 January 2017	**-**	-	**6,019,703**	-
Bonus Issue	**11,725,379**	-	**-**	-
Share Split	**158,292,712**	-	**-**	-
Cash allotment	**-**	9,326,983	**-**	4,663,492
	316,585,424	146,567,333	**79,303,370**	73,283,667

15. **SHARE CAPITAL (CONT'D)**

2017

During the financial year, the Company undertook the following:

(i) Bonus issue involving the issuance of 11,725,379 bonus shares on the basis of two (2) bonus shares for every twenty-five (25) existing ordinary shares held ("Bonus Issue"); and

(ii) Share split involving the subdivision of every one (1) existing ordinary share held after Bonus Issue into two (2) ordinary shares in the Company ("Share Split").

The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017 has abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM6,019,703 for purposes as set out in Section 618(3) of the Act.

During the financial year, RM5,862,690 from the share premium account was utilised to capitalise the Bonus Issue. The remaining balance in the share premium account after the Bonus Issue amounted to RM157,013 as at the end of the reporting period.

2016

The issued and paid-up ordinary share capital was increased from RM68,620,175 to RM73,283,667 through a private placement exercise 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.

16. **SHARE PREMIUM**

	GROUP AND COMPANY	
	2017	2016
	RM	RM
Balance at beginning	**6,019,703**	5,544,700
Transition to no-par value regime on 31 January 2017	**(6,019,703)**	-
Premium arising from placement shares (Note 15)	**-**	475,003
Balance at end	**-**	6,019,703

17. **RETAINED PROFITS**

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

18. BORROWINGS

	GROUP	
	2017	2016
	RM	RM
Non-current liabilities		
Finance lease liabilities		
Within one year	**195,792**	195,792
More than one year and less than two years	**83,545**	195,792
More than two years and less than five years	**-**	83,545
	279,337	475,129
Finance charges	**(10,099)**	(27,985)
Carrying amount at end	**269,238**	447,144
Amount due within one year included under current liabilities	**(187,032)**	(177,906)
	82,206	269,238
Term loan		
Total amount repayable	**4,000,000**	-
Amount due within one year included under current liabilities	**(320,180)**	-
	3,679,820	-
	3,762,026	269,238
Current liabilities		
Finance lease liabilities	**187,032**	177,906
Term loan	**320,180**	-
	507,212	177,906
Total borrowings	**4,269,238**	447,144

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
2017						
Finance lease liabilities	**2.54 to 2.63**	**269,238**	**187,032**	**82,206**	**-**	**-**
Term loan	**4.75**	**4,000,000**	**320,180**	**335,724**	**1,108,168**	**2,235,928**
2016						
Finance lease liabilities	2.54 to 2.63	447,144	177,906	187,032	82,206	-

The finance lease liabilities are secured over the leased assets (Note 4(ii) to the financial statements.

The term loan is secured by way of legal charge over a leasehold land of a subsidiary of the Company and corporate guarantee given by the Company.

19. DEFERRED INCOME

	GROUP	
	2017	2016
	RM	RM
Balance at beginning	**450,420**	1,130,697
Received during the year	**261,635**	367,675
Released to profit or loss	**(292,837)**	(1,047,952)
Balance at end	**419,218**	450,420

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.

20. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2017	2016
	RM	RM
Ringgit Malaysia	**21,993,165**	8,065,716
US Dollar	**3,824,103**	2,661,473
Singapore Dollar	**232,171**	167,580
Others	**-**	24,816
	26,049,439	10,919,585

The normal credit terms granted by trade payables range from 30 to 120 days (2016: 30 to 120 days).

21. OTHER PAYABLES, ACCRUALS AND PROVISION

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Other payables (i)	**2,074,053**	2,468,400	**124,450**	5,773
Deposits received (ii)	**116,030,221**	9,473,600	**-**	-
Accruals	**6,045,299**	3,692,311	**306,529**	332,053
GST payable	**46,727**	98,830	**-**	80,252
Provision for warranty	**444,000**	195,000	**-**	-
	124,640,300	15,928,141	**430,979**	418,078

(i) Included in other payables is an amount of RM Nil (2016: RM25,000) 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.

22. REVENUE

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Invoiced value of goods sold less returns and discounts	**259,456,949**	135,840,771	**-**	-
Trading of construction materials	**5,591,353**	5,029,805	**-**	-
Services rendered	**18,824,218**	10,146,877	**-**	-
Management fee	**317,000**	921,000	**3,221,000**	4,820,000
Dividend income	**-**	-	**-**	600,000
	284,189,520	151,938,453	**3,221,000**	5,420,000

23. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
After charging:				
Amortisation of intangible assets:				
- computer software	**375,999**	600,888	**-**	-
- development expenditure	**349,716**	519,094	**-**	-
- project management right	**2,021,973**	4,395,894	**-**	-
Auditors' remuneration				
- Company's auditors:				
- statutory audit	**187,800**	97,000	**38,000**	26,000
- other services	**320,662**	3,000	**3,000**	3,000
- Other auditors:				
- statutory audit	**261,360**	-	**-**	-
- other services	**747,760**	-	**-**	-
Depreciation	**2,535,333**	2,839,788	**630**	630
Directors' fees				
- executive directors				
- current year	**48,000**	72,000	**48,000**	72,000
- over provision in prior year	**-**	(24,000)	**-**	(24,000)
- non-executive directors	**96,000**	144,000	**96,000**	144,000
- past directors	**72,000**	-	**72,000**	-
Impairment loss on receivables	**106,000**	469,400	**-**	-
Intangible assets written off	**7**	508,134	**-**	-
Interest expense				
- current year	**165,612**	93,731	**-**	70,882
- over provision in prior year	**-**	-	**(70,882)**	-

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Inventories written down to net realisable value				
- addition	**7,391**	33,566	**-**	-
- reversal	**(8,772)**	(8,462)	**-**	-
Listing expenses	**5,448,892**	-	**-**	-
Loss on changes in fair value of foreign currency forward contracts	**-**	3,333,876	**-**	-
Net loss on foreign exchange				
- realised	**4,209,740**	-	**-**	-
- unrealised	**7,229,574**	-	**-**	-
Property, plant and equipment written off	**13,790**	6	**-**	6
Provision for warranty				
- current year	**444,000**	165,000	**-**	-
- reversal	**(195,000)**	(7,000)	**-**	-
Rental of hostel	**613,187**	168,926	**-**	-
Rental of office	**62,018**	52,475	**18,000**	18,000
Rental of plant and equipment	**7,240**	6,840	**5,700**	6,840
Rental of premises	**-**	-	**265,248**	265,248
* Staff cost	**31,854,696**	25,819,222	**2,633,589**	4,291,166
After crediting:				
Deferred income released	**292,837**	1,047,952	**-**	-
Fair value gain on investment securities	**-**	529,228	**-**	-
Gain on changes in fair value of foreign currency forward contracts	**3,988,069**	-	**-**	-
Gain on disposal of investment securities	**73,664**	-	**-**	-
Gain on disposal of property, plant and equipment	**6,999**	37,733	**-**	26,885
Gain on disposal of investment in subsidiaries	**-**	-	**100,371,903**	-
Interest income	**735,490**	433,477	**77,103**	150,959
Net gain on foreign exchange				
- realised	**-**	2,256,419	**81**	-
- unrealised	**-**	1,076,340	**-**	-

* **Staff costs**

- Salaries, allowances, bonus, incentive and overtime	**28,442,203**	23,000,765	**2,340,973**	3,821,900
- EPF	**3,007,701**	2,573,325	**283,581**	458,090
- SOCSO	**404,792**	245,132	**9,035**	11,176
	31,854,696	25,819,222	**2,633,589**	4,291,166

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

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**2,302,682**	2,152,582	**1,319,722**	1,762,582
- EPF	**276,334**	258,318	**158,369**	211,518
	2,579,016	2,410,900	**1,478,091**	1,974,100
- Benefits-in-kind	**28,000**	23,392	**18,800**	23,392
	2,607,016	2,434,292	**1,496,891**	1,997,492
Non-Executive:				
- Allowances	**20,500**	15,000	**20,500**	15,000
	2,627,516	2,449,292	**1,517,391**	2,012,492
Represented by:				
Present directors				
- Executive	**2,313,957**	2,434,292	**1,203,832**	1,997,492
- Non-executive	**14,000**	15,000	**14,000**	15,000
	2,327,957	2,449,292	**1,217,832**	2,012,492
Past directors				
- Executive	**293,059**	-	**293,059**	-
- Non-executive	**6,500**	-	**6,500**	-
	299,559	-	**299,559**	-
	2,627,516	2,449,292	**1,517,391**	2,012,492
Director of a subsidiary:				
Executive:				
- Salaries, allowances and bonus	**274,856**	-	**-**	-
- EPF	**32,984**	-	**-**	-
	307,840	-	**-**	-

24. TAXATION

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Malaysia income tax:				
Based on results for the financial year				
- Current year	**(4,404,762)**	(1,752,752)	**(126)**	(126)
- Deferred tax relating to origination and reversal of temporary differences	**-**	2,649,553	**-**	-
	(4,404,762)	896,801	**(126)**	(126)
(Under)/Over provision in prior year				
- Current tax	**(404,201)**	(5,698)	**126**	-
- Deferred tax	**-**	(144,553)	**-**	-
	(404,201)	(150,251)	**126**	-
	(4,808,963)	746,550	**-**	(126)

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Profit/(Loss) before taxation	**43,981,110**	28,838,291	**99,760,550**	(46,230)
Share of result of associate	**38,886**	-	**-**	-
	44,019,996	28,838,291	**99,760,550**	(46,230)
Income tax at Malaysian statutory tax rate of 24%	**(10,564,799)**	(6,921,190)	**(23,942,532)**	11,095
Income not subject to tax	**51,087**	354,742	**24,089,257**	150,453
Exempt pioneer income(i)	**9,524,889**	6,116,493	**-**	-
Expenses not deductible for tax purposes	**(2,575,699)**	(1,264,014)	**(73,851)**	(69,674)
Deferred tax movement not recognised	**(1,439,240)**	(560,240)	**(73,000)**	(92,000)
Reversal of deferred tax (ii)	**-**	1,896,010	**-**	-
Utilisation of unabsorbed tax losses and capital allowances	**599,000**	1,275,000	**-**	-
	(4,404,762)	896,801	**(126)**	(126)
(Under)/Over provision in prior year	**(404,201)**	(150,251)	**126**	-
	(4,808,963)	746,550	**-**	(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 was reversed in prior year as it was anticipated that the temporary differences would be reversed within the pioneer status period.

24. TAXATION (CONT'D)

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

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Property, plant and equipment	**2,441,880**	2,503,120	**-**	-
Unabsorbed capital allowances	**(71,000)**	(77,000)	**(14,000)**	(14,000)
Unabsorbed tax losses	**(5,746,000)**	(6,339,000)	**(1,245,000)**	(1,172,000)
Others	**(1,930,000)**	(552,000)	**(3,000)**	(3,000)
	(5,305,120)	(4,464,880)	**(1,262,000)**	(1,189,000)

(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 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Unabsorbed capital allowances	**(297,000)**	(322,000)	**(59,000)**	(59,000)
Unabsorbed tax losses	**(23,944,000)**	(26,417,000)	**(5,189,000)**	(4,886,000)
	(24,241,000)	(26,739,000)	**(5,248,000)**	(4,945,000)

25. 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:

	2017	2016
Profit attributable to owners of the Company (RM)	**35,967,745**	27,028,419
Weighted average number of ordinary shares	**316,585,424**	311,195,909
Basic earnings per share (sen)	**11.36**	8.69*

* Comparative number of shares was restated to take into account the effect of Bonus Issue and Share Split.

(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.

26. RELATED PARTY DISCLOSURES

(i) Related party transaction

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Project management income charged to Maarij Development Sdn. Bhd. ("MDSB")	**2,358,491**	2,830,189	**-**	-
Consulting charges charged by L3 Consulting Sdn. Bhd. ("L3SB")	**60,000**	190,000	**-**	-
Transactions with subsidiaries:				
- Dividend income	**-**	-	**-**	600,000
- Management fee income	**-**	-	**2,904,000**	3,899,000
- Rental expenses	**-**	-	**(265,248)**	(265,248)

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. However, the director has ceased to be a shareholder and director of L3SB on 23 June 2017.

(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	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Employees' salaries, allowances and bonus	**4,410,477**	2,571,011	**1,708,176**	1,777,582
Post-employment benefits: -				
- EPF	**526,994**	306,645	**202,553**	211,518
	4,937,471	2,877,656	**1,910,729**	1,989,100
Analysed as:				
- Directors	**2,907,356**	2,425,900	**1,498,591**	1,989,100
- Other key management personnel	**2,030,115**	451,756	**412,138**	-
	4,937,471	2,877,656	**1,910,729**	1,989,100

27. CAPITAL COMMITMENT

	GROUP	
	2017	2016
	RM	RM
Contracted but not provided for:		
- Construction of building	**23,616,490**	-
- Industrial leasehold land	**-**	2,507,745
Authorised but not contracted for:		
- Construction of building	**15,085,605**	-

28. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments.

(i) Business segments

The Group has three reportable segments which comprised its major business segments. These business segments are involved in different activities and are managed by segment managers who report directly to the Group's executive directors. The reportable segments are as follows:-

- Automated 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.

28. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Automated Equipment RM	Automated Manufacturing Solution RM	Smart Control Solution System RM	Adjustment RM	Note	Total RM
2017						
Revenue						
External customers	232,564,177	39,078,840	12,229,503	317,000		284,189,520
Inter-segment revenue	3,539,729	10,136,137	747,876	(14,423,742)	A	-
Total revenue	236,103,906	49,214,977	12,977,379			284,189,520
Results						
Segment results	48,683,616	3,457,758	1,654,894	(10,346,150)		43,450,118
Interest income	614,598	39,143	4,646	77,103		735,490
Interest expense	(12,226)	-	(224,268)	70,882		(165,612)
Share of result of an associate	-	-	-	(38,886)		(38,886)
Profit before taxation	49,285,988	3,496,901	1,435,272	(10,237,051)		43,981,110
Taxation	(4,479,324)	(3,505)	(326,134)			(4,808,963)
Profit for the financial year	44,806,664	3,493,396	1,109,138			39,172,147
Assets						
Segment assets	191,082,898	18,401,157	32,114,085	32,429,337		274,027,477
Tax recoverable	3,657	599	15,390	110		19,756
Cash and cash equivalents	75,451,883	6,190,088	376,258	183,798		82,202,027
Total assets	266,538,438	24,591,844	32,505,733			356,249,260
Liabilities						
Segment liabilities	142,300,960	10,104,085	28,553,212	(29,849,300)		151,108,957
Borrowings	4,174,126	-	95,112			4,269,238
Provision for taxation	524,564	-	-			524,564
Total liabilities	146,999,650	10,104,085	28,648,324			155,902,759
Other information						
Addition to non-current assets	5,407,898	150,068	-	1,050,000	B	6,607,966
Depreciation and amortisation	2,629,478	563,303	2,089,610	630		5,283,021
Non-cash items other than depreciation and amortisation	2,787,846	544,769	-	(58,308)	C	3,274,307

28. 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

28. **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	
	2017	2016
	RM	RM
Deferred income released	**(292,837)**	(1,047,952)
Fair value gain on investment securities	**-**	(529,228)
Gain on disposal of investment securities	**(73,664)**	-
Gain on disposal of property, plant and equipment	**(6,999)**	(37,733)
(Gain)/Loss on changes in fair value of foreign currency forward contracts	**(3,988,069)**	3,333,876
Impairment loss on receivables	**106,000**	469,400
Intangible assets written off	**7**	508,134
Inventories written down - addition	**7,391**	33,566
- reversal	**(8,772)**	(8,462)
Property, plant and equipment written off	**13,790**	6
Provision for warranty	**249,000**	158,000
Share of result of an associate	**38,886**	-
Unrealised loss/(gain) on foreign exchange	**7,229,574**	(1,076,340)
	3,274,307	1,803,267

(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	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Malaysia	**62,607,023**	93,024,379	**49,994,725**	48,722,464
China	**15,569,968**	14,491,128	**-**	-
Japan	**4,209,319**	1,417,663	**-**	-
Singapore	**156,388,945**	21,598,207	**-**	-
Republic of Ireland	**10,696,151**	5,552,234	**-**	-
USA	**9,350,772**	9,189,396	**-**	-
Others	**25,367,342**	6,665,446	**-**	-
	284,189,520	151,938,453	**49,994,725**	48,722,464

(iii) **Major Customers**

Total revenue from major customers which individually contributed more than 10% of Group's revenue amounted to RM155,036,185 (2016: RM79,241,116), arising from 1 (2016: 2) customers from the Group's automated equipment and automated manufacturing solutions segment.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments ategorized 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				
2017				
Financial assets				
Trade receivables	**41,038,415**	**41,038,415**	**-**	**-**
Other receivables and refundable deposits	**52,814,628**	**52,814,628**	**-**	**-**
Derivative financial assets	**461,133**	**-**	**-**	**461,133**
Cash and cash equivalents	**82,202,027**	**82,202,027**	**-**	**-**
	176,516,203	**176,055,070**	**-**	**461,133**
Financial liabilities				
Trade payables	**26,049,439**	**-**	**26,049,439**	**-**
Other payables and accruals	**8,119,352**	**-**	**8,119,352**	**-**
Borrowings	**4,269,238**	**-**	**4,269,238**	**-**
	38,438,029	**-**	**38,438,029**	**-**
2016				
Financial assets				
Trade receivables	36,441,779	36,441,779	-	-
Other receivables and refundable deposits	4,036,373	4,036,373	-	-
Investment securities	2,562,828	-	-	2,562,828
Cash and cash equivalents	30,843,370	30,843,370	-	-
	73,884,350	71,321,522	-	2,562,828
Financial liabilities				
Trade payables	10,919,585	-	10,919,585	-
Other payables and accruals	6,160,711	-	6,160,711	-
Derivative financial liabilities	3,526,936	-	-	3,526,936
Finance lease liabilities	447,144	-	447,144	-
	21,054,376	-	17,527,440	3,526,936

29. **FINANCIAL INSTRUMENTS (CONT'D)**

29.1 **Categories of financial instruments (cont'd)**

	Carrying amount RM	L&R RM	FL RM	FVTPL RM
COMPANY				
2017				
Financial assets				
Other receivables and refundable deposits	**29,503,900**	**29,503,900**	**-**	**-**
Inter-company balances	**35,325,295**	**35,325,295**	**-**	**-**
Cash and cash equivalents	**182,557**	**182,557**	**-**	**-**
	65,011,752	**65,011,752**	**-**	**-**
Financial liabilities				
Other payables and accruals	**430,979**	**-**	**430,979**	**-**
2016				
Financial assets				
Other receivables and refundable deposits	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 and accruals	337,826	-	337,826	-

29.2 **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.

29.3 **Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade and other receivables whilst the Company's exposure to credit risk arises principally from advances to its subsidiaries and financial guarantees provided to financial institutions in respect of credit facilities granted to the subsidiaries.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Credit risk (cont'd)

29.3.1 Receivables

Trade receivables

Credit risk arising from trade customers is addressed by the application of credit evaluation and close monitoring procedures by the management. The Group extends to existing customers credit terms that range between 14 to 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.

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	
	2017	2016
	%	%
Customers with debts of RM100,000 and above	**97**	97
Customers with debts of less than RM100,000	**3**	3
	100	100

The maximum exposure to credit risk arising from trade receivables is represented by their carrying amount in the statement of financial position.

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

	Gross	Individual impairment	Net
	RM	**RM**	**RM**
2017			
Not past due	**10,415,950**	**-**	**10,415,950**
1 to 30 days past due	**10,006,499**	**-**	**10,006,499**
31 to 120 days past due	**11,643,291**	**-**	**11,643,291**
Past due more than 120 days	**9,078,675**	**(106,000)**	**8,972,675**
	30,728,465	**(106,000)**	**30,622,465**
	41,144,415	**(106,000)**	**41,038,415**

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Credit risk (cont'd)

29.3.1 Receivables (cont'd)

Trade receivables **(cont'd)**

	Gross RM	Individual impairment RM	Net 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
	37,142,229	(705,450)	36,441,779

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.

Other receivables

The Group finances property development project in which it is managing as part of the project financing and management agreement entered into between one of the Company's subsidiary and the developer. The outstanding balance financed is exposed to credit risk with the maximum exposure being represented by the carrying amount as disclosed in Note 10 to the financial statements.

The credit risk exposure is mitigated as the provisions of the agreement entered with the developer allows the subsidiary to be entitled to purchase or sell on behalf of the developer, certain units of the development project at a price substantially below the launching or market price to settle the outstanding advances and if such sale proceeds are insufficient to settle the outstanding amount, the subsidiary shall cause the developer to sell a property belonging to the developer at a reserved price and such proceeds are to be used to settle the remaining outstanding amount.

29.3.2 Intercompany balances

The Company provides advances to its subsidiaries and monitors the result of the subsidiaries regularly.

The maximum exposure to credit risk is represented by their carrying amount in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Credit risk (cont'd)

29.3.3 Financial guarantees

The Company provides unsecured financial guarantees to licensed banks in respect of banking facilities granted to certain subsidiaries up to a limit of RM26,500,000 (2016: RM12,500,000). The maximum exposure to credit risk is amounted to RM6,451,585 (2016: RM Nil), representing the outstanding banking facilities of the said subsidiaries as at the end of the reporting period.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment. The directors considered that the fair value of the financial guarantee contracts on initial recognition is insignificant.

29.4 Liquidity risk

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

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

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

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2017						
Non-derivative financial liabilities						
Trade payables	**26,049,439**	**26,049,439**	**26,049,439**	**-**	**-**	**-**
Other payables and accruals	**8,119,352**	**8,119,352**	**8,119,352**	**-**	**-**	**-**
Borrowings	**4,269,238**	**5,312,029**	**699,061**	**586,814**	**1,509,808**	**2,516,346**
	38,438,029	**39,480,820**	**34,867,852**	**586,814**	**1,509,808**	**2,516,346**

29. **FINANCIAL INSTRUMENTS (CONT'D)**

29.4 **Liquidity risk (cont'd)**

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2016						
Non-derivative financial liabilities						
Trade payables	10,919,585	10,919,585	10,919,585	-	-	-
Other payables and accruals	6,160,711	6,160,711	6,160,711	-	-	-
Finance lease liabilities	447,144	475,129	195,792	195,792	83,545	-
	17,527,440	17,555,425	17,276,088	195,792	83,545	-
Derivative financial liabilities						
Foreign currency forward contracts:						
Outflow-Net	3,526,936	3,526,936	3,526,936	-	-	-
	21,054,376	21,082,361	20,803,024	195,792	83,545	-
COMPANY						
2017						
Non-derivative financial liabilities						
Other payables and accruals	**430,979**	**430,979**	**430,979**	**-**	**-**	**-**
Financial guarantees	**-**	**6,451,585***	**6,451,585***	**-**	**-**	**-**
	430,979	**6,882,564**	**6,882,564**	**-**	**-**	**-**
2016						
Non-derivative financial liabilities						
Other payables and accruals	337,826	337,826	337,826	-	-	-

* *This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.*

29. **FINANCIAL INSTRUMENTS (CONT'D)**

29.5 **Interest rate risk**

The Group's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Fixed rate instruments				
Financial assets	**14,105,898**	18,471,765	**-**	4,004,864
Financial liabilities	**269,238**	447,144	**-**	-
Floating rate instruments				
Financial liabilities	**4,000,000**	-	**-**	-

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets 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.

Cash flow sensitivity analysis for variable rate instruments

An increase/decrease of 25 basis points would have an insignificant impact to the consolidated profit before taxation of the Group.

29.6 **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 entering 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	
	2017	2016
	RM	RM
Trade receivables	**15,891,832**	27,723,529
Cash and bank balances	**61,231,571**	7,523,749
Trade payables	**(3,824,103)**	(2,661,473)
	73,299,300	32,585,805

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Foreign currency exchange risk (cont'd)

Sensitivity analysis for foreign currency risk

A 5% strengthening of the RM against the USD at the end of the reporting period would decrease the Group's profit by RM3,664,965 (2016: RM1,629,290) and a corresponding weakening would have an equal but opposite effect. This analysis confines to the carrying amounts of financial assets and liabilities denominated in USD as at the end of the reporting period and assumes that all other variables remain constant.

29.7 Fair value information

The carrying amounts of financial assets and financial liabilities (other than those disclosed below) of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

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

Fair value hierarchy

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

GROUP

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2017				
Forward contract (assets)	**-**	**461,133**	**-**	**461,133**
2016				
Investment securities	2,562,828	-	-	2,526,828
Forward contract (liabilities)	-	3,526,936	-	3,526,936

(i) 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.

(ii) 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.

29. **FINANCIAL INSTRUMENTS (CONT'D)**

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

	Balance at 1.1.17 RM	Cash Flows RM	Balance at 31.12.17 RM
GROUP			
Finance lease liabilities	**447,144**	**(177,906)**	**269,238**
Term loan	**-**	**4,000,000**	**4,000,000**
	447,144	**3,822,094**	**4,269,238**

30. **CAPITAL MANAGEMENT**

The Group's objective of managing capital is to safeguard the Group's ability to continue its operations as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

Debt-to-Equity ratio

	GROUP	
	2017 RM	2016 RM
Borrowings	**4,269,238**	447,144
Less: Cash and cash equivalents	**(82,202,027)**	(30,843,370)
	(77,932,789)	(30,396,226)
Total equity	**200,346,501**	112,174,262
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.

31. DEFERRED TAX LIABILITIES

	GROUP	
	2017	2016
	RM	RM
Balance at beginning	**-**	2,505,000
Recognised in profit or loss	**-**	(2,649,553)
Under provision in prior year	-	144,553
Balance at end	-	-

32. SIGNIFICANT EVENTS

(i) Listing of PIL on the Main Board of The Stock Exchange of Hong Kong Limited

During the financial year, PIL had submitted its application to list on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE") ("Listing Exercise"). The Listing Exercise was approved by HKSE and PIL completed the listing of its 1,600,000,000 ordinary shares of HKD0.01 on the Main Board of HKSE on 19 January 2018.

(ii) Incorporation of a subsidiary

Pentamaster Equipment Manufacturing Sdn. Bhd., a subsidiary of the Company had on 18 January 2018 incorporated a wholly-owned subsidiary, Pentamaster Equipment Manufacturing, Inc. ("PEMI") in the State of California, the United States of America. PEMI was incorporated for the purpose of providing closer sales and support services to the customers of PIL and its subsidiaries based in the United States of America.

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 2017 (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	14 years	36,680,142
H.S. (D) 47991, PT 5917, Mukim of 13 District of Seberang Perai Selatan, Penang, Malaysia	19/3/2015	Industrial lot	Leasehold (60 years expiring on 6/12/2075)	3.23 acres	3 years	5,015,490

Issued Shares Capital	:	316,585,424 Ordinary Shares
Class of Equity Securities	:	Ordinary Shares ("Shares")
Voting Rights	:	One vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Issued Shares	%
322	Less than 100 shares	13,666	*
1,071	100 – 1,000 shares	691,376	0.22
3,287	1,001 – 10,000 shares	14,631,537	4.62
1,360	10,001 – 100,000 shares	37,230,456	11.76
270	100,001 to less than 5% of issued shares	173,311,329	54.75
3	5% and above of issued shares	90,707,060	28.65
6,313	**Total**	**316,585,424**	**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	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	36,779,100	11.62
2	CHUAH CHOON BIN	32,518,580	10.27
3	CHUAH CHOON BIN	21,409,380	6.76
4	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	14,282,246	4.51
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR RESOLUTE ACCOMPLISHMENT SDN. BHD.*	8,278,048	2.61
6	TAN CHUN KEE	5,651,272	1.79
7	NG NGOON WENG	4,699,728	1.48
8	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.*	4,300,576	1.36
9	CHUAH CHOON BIN	4,129,380	1.30
10	CHUAH CHOON BIN	4,129,380	1.30
11	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND*	3,839,504	1.21
12	AMANAHRAYA TRUSTEES BERHAD *PMB SHARIAH AGGRESSIVE FUND*	3,765,600	1.19
13	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND*	3,729,912	1.18

30 Largest Securities Account Holders (cont'd)

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

No.	Name	No. of Shares held	%
14	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND*	3,242,100	1.02
15	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND*	3,041,692	0.96
16	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG*	2,968,056	0.94
17	RESOLUTE ACCOMPLISHMENT SDN. BHD.	2,897,752	0.92
18	CITIGROUP NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR CITIBANK NEW YORK*	2,510,600	0.79
19	ANG BOON GUAN	2,300,400	0.73
20	PHUAH CHENG PENG	2,137,900	0.68
21	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND*	2,089,140	0.66
22	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *KUMPULAN WANG PERSARAAN (DIPERBADANKAN)*	2,065,800	0.65
23	SIM AH YOONG	2,000,000	0.63
24	HSBC NOMINEES (TEMPATAN) SDN. BHD. *HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL*	1,800,000	0.57
25	LOOH KEO @ LOOH LIM TENG	1,798,220	0.57
26	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.*	1,736,996	0.55
27	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.*	1,653,393	0.52
28	HSBC NOMINEES (TEMPATAN) SDN. BHD. *HSBC (M) TRUSTEE BHD. FOR CIMB ISLAMIC DALI EQUITY THEME FUND*	1,644,200	0.52
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOH YAP HENG*	1,567,000	0.49
30	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK TRUSTEES BERHAD FOR ARECA EQUITYTRUST FUND*	1,552,380	0.49

Directors' Shareholdings based on Register of Director's Shareholdings

	No. of Shares beneficially held			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	62,186,720	19.64	61,560[1]	0.02
CHUAH CHONG EWE	14,390,246	4.55	-	-
LOH NAM HOOI	194,400	0.06	-	-
LEE KEAN CHEONG	-	-	-	-
LENG KEAN YONG	-	-	-	-

Note:

(1) Deemed interest through the shareholding of his spouse pursuant to Section 59(11)(c) of the Act.

Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders

	No. of Shares beneficially held			
Name of Substantial Shareholder	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	62,186,720	19.64	61,560[1]	0.02
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	36,779,100	11.62	4,224,200[2]	1.33

Note:

(1) Deemed interest through the shareholding of his spouse pursuant to Section 59(11)(c) of the Act.
(2) Shares held by Kumpulan Wang Persaraan (Diperbadankan)'s Fund Manager

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth 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 8 June 2018 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 2017 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees amounting to:-

   (a) RM216,000 to Directors of the Company for the financial year ended 31 December 2017; and — Resolution 1

   (b) RM366,000 per annum to Directors of the subsidiary company commencing from the financial year ending 31 December 2018 and that such fees to the Directors of the subsidiary company shall continue until otherwise resolved. — Resolution 2

3. To approve the payment of benefits of up to:-

   (a) RM35,000 to the Non-Executive Directors of the Company from 9 June 2018 until the next Annual General Meeting of the Company; and — Resolution 3

   (b) RM35,000 to the Non-Executive Directors of the subsidiary company from 1 January 2018 until the next Annual General Meeting of the Company. — Resolution 4

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

   (a) "THAT Mr. Loh Nam Hooi, who retires pursuant to Article 95(1) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." — Resolution 5

   (b) "THAT Mr. Lee Kean Cheong, who retires pursuant to Article 102 of the Company's Constitution, be and is hereby re-elected as a Director of the Company." — Resolution 6

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. — Resolution 7

AS SPECIAL BUSINESS

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

   (a) "THAT, subject to the passing of Resolution 5, authority be and is hereby given to Mr. Loh Nam Hooi who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years to continue to act as an Independent Non-Executive Director of the Company." — Resolution 8

   Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

   (b) "THAT subject always to the Companies Act, 2016 ("Act"), Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." Resolution 9

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 2018 ("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 10

Proposed purchase by the Company of its own shares of up to ten percent (10%) of its total number of issued shares

(d) "THAT, subject to the Companies Act, 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares ("Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors of the Company may deem fit and expedient in the best interest of the Company provided that :-

(a) The aggregate number of Shares in the Company which may be purchased and/or held by the Company as treasury Shares shall not exceed ten percent (10%) of the total number of its issued Shares at any point in time; and

(b) The maximum funds to be allocated by the Company for the purpose of purchasing its own Shares shall not exceed the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction.

THAT, upon the purchase by the Company of its own Shares, the Directors are authorised to retain the Shares so purchased as treasury Shares or cancel the Shares so purchased or retain part of the Shares so purchased as treasury Shares and cancel the remainder. The Directors are further authorised to distribute the treasury Shares as dividends to the shareholders of the Company and/or resell the Shares on the Bursa Securities in accordance with the relevant rules of the Bursa Securities or subsequently cancel the treasury Shares or any combination thereof.

THAT the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it will lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

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

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as they may consider necessary or expedient to implement and give effect to the Proposed Share Buy-Back." Resolution 11

7. 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 Sixteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 171(1) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 1 June 2018. Only a depositor whose name appears in the Record of Depositors as at 1 June 2018 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 2018

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. Audited Financial Statements for the financial year ended 31 December 2017

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

3. Resolution No. 8 - Retention of Independent Non-Executive Director, Mr. Loh Nam Hooi

Mr. Loh Nam Hooi has served as an Independent Non-Executive Director of the Company for 15 years. The Board has carried out an assessment of Mr. Loh Nam Hooi and determined that he has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the criteria of independence recognised by the Board. The Board has determined that Mr. Loh Nam Hooi is able to bring objective and independent judgement to the Board and recommended him to continue to at as Independent Non-Executive Director of the Company.

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

4. Resolution No. 9 - Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

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

As at the date of this notice no shares have been issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 1 June 2017 and which will lapse at the conclusion of the Sixteenth 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.

5. **Resolution No. 10 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   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 2018 for further information.

6. **Resolution No. 11 - Proposed purchase by the Company of its own shares of up to ten percent (10%) of its total number of issued shares**

   The proposed resolution if passed will empower the Directors of the Company to purchase up to ten percent (10%) of the total number of issued shares of the Company at any point in time subject to compliance with Section 127 of the Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other prevailing laws, rules and regulations.

   Please refer to the Statement to Shareholders dated 27 April 2018 for further information.

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

CDS Account No.	
No. of shares held	

PROXY FORM

FOR THE 16th ANNUAL GENERAL MEETING

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 Sixteenth 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 8 June 2018 at 10.30 a.m. and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To approve the payment of Directors' fees amounting to RM216,000 to Directors of the Company for the financial year ended 31 December 2017.	Ordinary Resolution 1		
To approve the payment of Directors' fees amounting to RM366,000 per annum to Directors of the subsidiary company commencing from the financial year ending 31 December 2018 and that such fees to the Directors of the subsidiary company shall continue until otherwise resolved.	Ordinary Resolution 2		
To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the Company from 9 June 2018 until the next Annual General Meeting of the Company.	Ordinary Resolution 3		
To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the subsidiary company from 1 January 2018 until the next Annual General Meeting of the Company.	Ordinary Resolution 4		
To re-elect Mr. Loh Nam Hooi who retires in accordance with Article 95(1) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 5		
To re-elect Mr. Lee Kean Cheong who retires in accordance with Article 102 of the Company's Constitution as a Director of the Company.	Ordinary Resolution 6		
To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
To authorise Mr. Loh Nam Hooi to continue to act as an Independent Non-Executive Director of the Company.	Ordinary Resolution 8		
To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	Ordinary Resolution 9		
To approve the proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.	Ordinary Resolution 10		
To approve the purchase by the Company of its own shares of up to 10% of its total number of issued shares	Ordinary Resolution 11		

(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 ____________________ 2018.

____
Signature of Shareholder or Common Seal

Notes :

(a) Only a Depositor whose name appears in the Record of Depositors as at 1 June 2018 shall be entitled to attend the Sixteenth 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

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

www.pentamaster.com.my