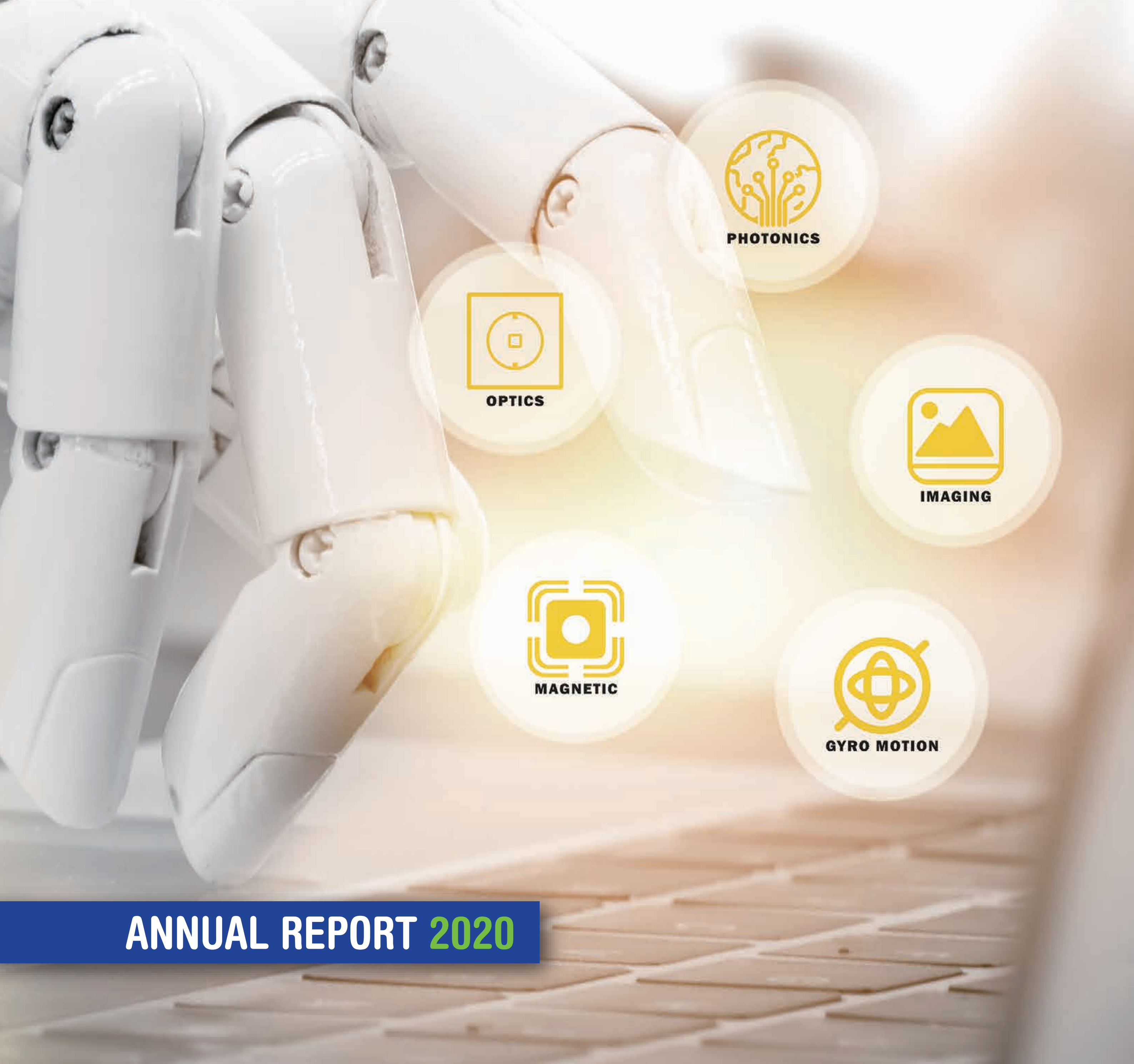
Pentamaster International Limited
檳傑科達國際有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1665

SHAPING THE FUTURE THROUGH INNOVATION



ANNUAL REPORT 2020

Our Vision

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

Our Mission

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Chuah Choon Bin *(Chairman)*
Gan Pei Joo

Non-executive Director
Leng Kean Yong

Independent non-executive Directors
Chuah Jin Chong
Chan May May
Sim Seng Loong @ Tai Seng

AUDIT COMMITTEE

Sim Seng Loong @ Tai Seng *(Chairman)*
Chan May May
Leng Kean Yong

REMUNERATION COMMITTEE

Sim Seng Loong @ Tai Seng *(Chairman)*
Chuah Jin Chong
Leng Kean Yong

NOMINATION COMMITTEE

Chuah Jin Chong *(Chairman)*
Sim Seng Loong @ Tai Seng
Chan May May

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
12th Floor
28 Hennessy Road
Wanchai
Hong Kong

COMPANY SECRETARY

Tsui Sum Yi

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
AmBank (M) Berhad
Public Bank Berhad

COMPANY WEBSITE

www.pentamaster.com.my

STOCK CODE

1665

CORPORATE STRUCTURE

As at 31 December 2020

Pentamaster International Limited
檳傑科達國際有限公司

(MC-323853)
(Cayman Islands)

- 100%
  Pentamaster Technology (M) Sdn. Bhd.
  199501007290 (336488-H)
  (Malaysia)
  - 40%
    Penang Automation Cluster Sdn. Bhd.
    201601021441 (1192380-V)
    (Malaysia)
- 100%
  Pentamaster Instrumentation Sdn. Bhd.
  200301034952 (637373-M)
  (Malaysia)
- 100%
  Pentamaster Equipment Manufacturing Sdn. Bhd.
  200601029409 (749166-A)
  (Malaysia)
  - 100%
    Pentamaster Equipment Manufacturing, INC.
    (82-4120867)
    (U.S.)
  - 100%
    TP Concept Sdn. Bhd.
    201001040387 (924312-H)
    (Malaysia)
- 100%
  Pentamaster MediQ Sdn. Bhd.
  202001017008 (1373328-W)
  (Malaysia)

CHAIRMAN'S STATEMENT

Dear shareholders,

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

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

During the first half of 2020, US-China trade tension and the COVID-19 global pandemic have posed significant challenges and pressure to our day-to-day operations, with global travel restrictions in place compounded with supply chain interruption. This has unfortunately impacted the Group's financial performance last year with the revenue of the Group having contracted by 14.1% to MYR418.6 million and its profit after taxation having decreased by 13.3% to MYR113.9 million.

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

To sustain our long term growth trajectory, Pentamaster will continue to progress and transform our business model and portfolios – for the medium and long term perspectives. Last year 2020, we set up Pentamaster MediQ Sdn. Bhd. ("PDSB") to venture into the manufacturing of single-use medical devices. Capital expenditure of MYR60.0 million will be allocated in the next three years for the upgrading of our existing factory facilities in Batu Kawan and the installation of two production lines equipment dedicated towards the manufacturing of these single-use medical devices that includes Intravenous Caterers and Dual-Safety Pen Needles. Our target is to get our manufacturing facility certified with ISO13485 by 2021 while targeting Malaysia Devices Authority (MDA) or United States Food and Drug Administration (FDA) product certification of the two medical devices by end of 2021 or early 2022.

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

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

Over the years, Pentamaster Group has developed many new solutions in the Automated Test Equipment ("ATE") and Factory Automation Solutions ("FAS") business segments catering to the above-mentioned industries. Coupled with the growth of EV and 5G industries, the ATE business segment has contributed approximately 67.6% to the Group's revenue. Within this context , the regional expansion plan will become more prevalent. Similarly, with adoption of Industry 4.0 into manufacturing, the FAS business segments' revenue contribution to the Group has also jumped 64.0% year-on-year, further reiterating the need for us to broaden our presence in the region.

While the COVID-19 pandemic has posed serious challenges, it has also opened up an exciting opportunity for Pentamaster. With the recent accelerated demands for the online e-commerce purchase, emerging multichannel distribution channels, globalisation of supply chain networks and increased adoption of micro-fulfilment centres, we see growing demands and opportunities in the warehouse automation system ("WAS") sector. Since 2018, Pentamaster Group had invested approximately MYR15.0 million to develop autonomous mobile robots, high speed sorter, lifter, warehouse management software(WMS) and wide area warehouse network (WAWN) that could efficiently interconnect and monitor the global supply chain networks. With this, it completes our i-Hub holistic product offerings that allow us to capture and be ready for the growing e-commerce market.

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

Appreciation

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

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

Thank you.

God bless.

CHUAH CHOON BIN
Chairman and Executive Director

25 February 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Revenue of the Group during the year contracted by 14.1% to MYR418.6 million while its profit after taxation decreased by 13.3% to MYR113.9 million. While the decrease in revenue and profit were largely impacted by the Group's electro-optical segment (previously the telecommunications segment) in lieu of the pandemic, the Group witnessed year-on-year growth in all its other business segments with a healthier mix of revenue and profit contribution. It is worth noting that the Group has been advocating the importance of diversifying its revenue base by increasing its exposure to other business segments and not to be too dependent on one single segment and this has somewhat cushioned the impact of the pandemic crisis in 2020. The outcome from these diversification efforts will not be made possible without the Group's timely insight into market opportunities and requirements, coupled with its commitment towards research and development ("R&D") investment and activities to broaden its product portfolio and expand its addressable markets. As global technology marketplace evolves with the far-reaching drastic effect of COVID-19, the Group will continuously engage such business approach in establishing an optimum mixture so as not to be too dependent on a single business segment.

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

Revenue from the consumer and industrial products segment grew by 68.4% from MYR36.5 million in 2019. Such growth in revenue was mainly contributed by the Group's proprietary intelligent Automated Robotic Manufacturing System ("i-ARMS") where its demand was underpinned by the trends and growing adoption of Industry 4.0. In the context of the Group's revenue exposure in the semiconductor segment, the Group witnessed a year-on-year growth of 67.5%. The increase in revenue was attributed to the increase in demand for the Group's test handling equipment for the semiconductor industry, where the main factors driving the sentiment was the shift in spending pattern of the consumers around the world caused by the pandemic's "work from home" trend that seemed to have boosted the integrated chips segment. Over the course of the year, the broadening exposure of the Group in the medical device segment saw the highest revenue growth rate of 348.9% as the Group diversified its involvement and strengthened its capabilities in the medical sector with the acquisition of TP Concept Sdn. Bhd. ("TP Concept") in 2019.

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

The following table sets out revenue breakdown by customers' segment for both the ATE and FAS segments:

By industry

For the year ended 31 December

	2020		2019	
	MYR'000	**%**	MYR'000	%
Electro-Optical (Previously known as telecommunications)	**177,978**	**42.5**	337,394	69.3
Automotive	**84,146**	**20.1**	70,419	14.4
Consumer and industrial products	**61,481**	**14.7**	36,498	7.5
Semiconductor	**57,794**	**13.8**	34,494	7.1
Medical devices	**37,182**	**8.9**	8,283	1.7
	418,581	**100.0**	487,088	100.0

Set out below is the revenue breakdown based on shipment destination where China, Singapore, Malaysia, Taiwan and Japan were the top five shipment markets for the Group in 2020. It is worth mentioning that revenue from the top five shipment destinations has dropped to approximately 86.8% of the Group's revenue as opposed to 91.4% a year ago, indicating a more diversified geographical shipment coverage.

By shipment

For the year ended 31 December

	2020		2019	
	MYR'000	**%**	MYR'000	%
China	**132,044**	**31.5**	66,624	13.7
Singapore	**84,372**	**20.2**	239,028	49.1
Malaysia	**68,419**	**16.3**	27,242	5.6
Taiwan	**49,216**	**11.8**	80,132	16.4
Japan	**29,149**	**7.0**	3,431	0.7
United States	**22,668**	**5.4**	6,221	1.3
Philippines	**8,673**	**2.1**	32,105	6.6
Korea	**5,768**	**1.4**	399	0.0
Thailand	**5,471**	**1.3**	19,197	3.9
Germany	**5,459**	**1.3**	8,126	1.7
Others	**7,342**	**1.7**	4,583	1.0
	418,581	**100.0**	487,088	100.0

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 14.1% from MYR487.1 million in 2019 to MYR418.6 million in 2020. It is unfortunate to witness the overall drop in revenue in 2020 after reporting year-on-year revenue growth for the last three years consecutively since the listing of the Company. The impact caused by the pandemic in the current economic situation has curtailed the overall business operation of the Group given the Group's business nature and the accounting treatment adopted in its revenue recognition. As a result, the Group witnessed a drop in its yearly revenue due to a lower revenue contribution from the ATE segment during the year. However, the drop in revenue was partially offset by the revenue growth from the FAS segment. The ATE and FAS segments each accounted for approximately 67.6% and 32.4% of the total Group's revenue, as compared to 2019 of 86.7% and 13.3.%, respectively.

	Revenue		
	2020 **MYR'000**	2019 MYR'000	Fluctuation %
ATE	**292,386**	431,222	–32.2
FAS	**138,311**	84,311	64.0

ATE segment

With a revenue contribution rate of 67.6%, the ATE segment continued to contribute the larger share of the Group's overall revenue and profit. Revenue from this segment declined by MYR138.9 million to MYR292.4 million during the year as compared to 2019. The drop in revenue by approximately 32.2% from this segment was mainly attributable to the deferment of a timely revenue recognition caused primarily by the adverse impact of the pandemic where the Group experienced disruption to its manufacturing activity, supply chain, project shipment, logistical services and inventory replenishment. The imposition of the massive global travelling restrictions particularly in the first half of the year further impeded the site installation of projects which was a major milestone for revenue recognition to take place. Despite the drop in revenue within the ATE segment, the Group witnessed a more diversified revenue base during the year from other segments where the Group was exposed to. One example was the growth in revenue traction from the automotive industry by more than 50.0% within ATE segment as compared to 2019.

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

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

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

FAS segment

For the year ended 31 December 2020, the FAS segment witnessed a substantial increase in contribution to the Group's revenue, with this division recording MYR138.3 million as compared to MYR84.3 million achieved in 2019, a 64.0% growth year-on-year. The increase in revenue was mainly attributable to the growing adoption of automation for Industry 4.0 and IoT (Internet of Things)– enabled processes that saw growing demand for i-ARMS, a highly customised proprietary solution of the Group in automating the manufacturing processes or production line of various industries through its intelligent material handling system and robotics technology.

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

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

Gross margin

The Group achieved a gross margin of 33.5% during the year as opposed to 36.8% in 2019. The overall contraction in the Group's gross profit margin was primarily a result of lower economies of scale achieved during the year from the impact of lower amount of sales recognised for the electro-optical segment. Although the drop in gross profit margin was experienced, it was worth noting that the overall gross profit margin was derived from a more diversified product portfolio of the Group catering to a more diverse industry segments during the year.

Other income

Other income of the Group decreased from MYR14.3 million in 2019 to MYR10.5 million in 2020. During the year, the Group recorded a net gain from changes in fair value of foreign currency forward contracts ("net derivative gain") of approximately MYR0.9 million. Simultaneously, the Group has also recorded a net gain on foreign exchange of approximately MYR1.8 million. Such net derivative gain and net gain on foreign exchange totaling MYR2.7 million were recorded under other income during the year. In 2019, the net derivative gain was MYR7.2 million while the Group recorded a net loss on foreign exchange of MYR5.4 million.

Administrative expenses

Administrative expenses of the Group mainly comprised of the movement arising from foreign exchange, professional fees and administrative staff cost. During the year, administrative expenses decreased by MYR19.0 million from MYR45.9 million in 2019 to MYR26.9 million. This was mainly due to the following factors:

(i) net gain on foreign exchange was achieved during the year as compared to a net loss on foreign exchange of MYR5.4 million in 2019; and

(ii) lower administrative staff cost of MYR11.1 million during the year (2019: MYR28.7 million) due to the decrease in staff incentive from lower profit reported.

The above decrease in costs were partially offset by:

(i) higher amount of net expected credit loss ("ECL") allowance on trade receivables of MYR6.1 million recorded during the year as compared to MYR3.0 million incurred in 2019; and

(ii) higher upkeep and maintenance cost in office equipment by MYR0.3 million with the increase in staff headcount.

Profit for the year

The Group recorded a net profit of MYR113.9 million in 2020, representing a decrease of 13.3% as opposed to a net profit of MYR131.4 million achieved in 2019. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for 2020 stood at MYR122.5 million as compared to MYR143.8 million recorded in 2019, representing a decrease of 14.8%. Basic earnings per share fell from MYR8.21 sen in 2019 to MYR7.12 sen in 2020.

Liquidity, financial resources and capital structure

The Group continued to maintain a robust working capital position at MYR363.6 million as at 31 December 2020 (2019: MYR305.4 million). Amid the ongoing pandemic and the overall economic headwinds, the Group continued to generate positive net cash from operations of MYR59.7 million during the year as compared to MYR141.4 million in the previous year. Cash and cash equivalents stood at MYR300.3 million as at 31 December 2020 as compared to MYR304.0 million in 2019. As at 31 December 2020, the Group had available banking facilities of MYR19.5 million in the form of term loan and trade facilities, out of which the Group had utilised MYR3.0 million to partly finance the purchase of leasehold land for the Group's second production plant in Batu Kawan, Penang. The gearing ratio of the Group (calculated based on the total debts divided by total equity) stood at 0.6% as at 31 December 2020 (2019: 0.8%).

Contingent liabilities

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

Foreign exchange exposure

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

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

Pledge of asset

As at 31 December 2020, the Group's leasehold land of MYR4,827,000 (2019: MYR4,911,000) has been pledged to secure a bank loan.

Employees and remuneration

The Company recognises its employees as one of the Group's most important assets. The Company strongly believes in hiring the right talent, nurturing and retaining these talented employees with competitive remuneration packages. Besides, the Group is committed to organising regular external and internal training programs to upgrade the employees' skill set, knowledge and job experience.

As at 31 December 2020, the total number of full time employees of the Group increased to 612 (2019: 539).

Significant investments held, material acquisitions and disposal of subsidiaries, and future plans for material investments or capital asset

Save for those disclosed in this report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the year. Apart those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

Use of proceeds from the listing

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 January 2018 at the offer price of HK$1.00 per share ("Listing"). The proceeds (net of listing expenses) from the Listing were approximately HK$171.3 million (equivalent to approximately MYR92.6 million). In accordance with the proposed use of net proceeds as set out in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 29 December 2017 (the "Prospectus"), the net proceeds utilised by the Group from the date of the Company's listing on 19 January 2018 (the "Listing Date") up to 31 December 2020 are as follows:

Use of net proceeds	Amount of net proceeds earmarked		Use of proceeds from the Listing Date up to 31 December 2020	Unutilised amount	Unutilised proportion	
	HK$ million	MYR million	MYR million	MYR million	%	
Capital investment and costs in relation to the new production plant and the expansion of the existing production plant	84.8	45.8	45.8	–	–	
Business expansion into the Greater China region	38.1	20.6	20.6	–	–	
Establishment of an office in California, U.S.	28.2	15.3	5.6	9.7	63.4	Note
Marketing, branding and promotional activities	3.1	1.7	1.7	–	–	
Working capital	17.1	9.2	9.2	–	–	
Total	**171.3**	**92.6**	**82.9**	**9.7**	**10.5**	

Note: Such unutilised proceeds will be utilised within the next five years starting from the Listing Date.

The Directors are not aware of any material change to the proposed use of proceeds as at the date of this report. The unutilised net proceeds and its following intended timeframe for utilisation will be applied in the manner consistent with that mentioned in the Prospectus. The intended timeframe was based on the best estimation and assumption of future market conditions and industry development made by the Group as at the date of this report.

ACHIEVEMENTS IN 2020

FORBES – Asia's Best Under a Billion

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

THE EDGE – Billion Ringgit Club

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

OPERATIONAL AND FINANCIAL RISKS

Operational risks

Impact of the COVID-19 pandemic

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

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

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group in accordance with the requirements of the relevant authorities.

Dependence on key management and experienced personnel

Our success and growth is to a significant extent, attributable to the strategies and vision of our Chairman and the contributions of our executive 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 Company's immediate holding company, Pentamaster Corporation Berhad ("PCB") implemented the share award scheme during the Company's 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. On 1 April 2020 (the "Adoption Date"), the Company adopted a share award scheme (the "Scheme") which is valid and effective for a term of ten years commencing on the Adoption Date to serve as part of the Group's employee retention program in retaining its existing employees and to attract suitable personnel for further development of the Group. Additionally, the Group continuously grooms younger members of the management staff and other employees to participate in the management of the Company. It is also the current practice of the Group to not depend on one person to perform an important job function to prevent dependency on any particular person. Emphasis is placed on team work and all important projects will have backup personnel.

Risk relating to technological obsolescence

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

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

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

Competition risk

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

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

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

Intellectual property

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

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

Financial risks

The Group's financial risks are set out in Note 40 under the notes to the consolidated financial statements.

PROSPECTS

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

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

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

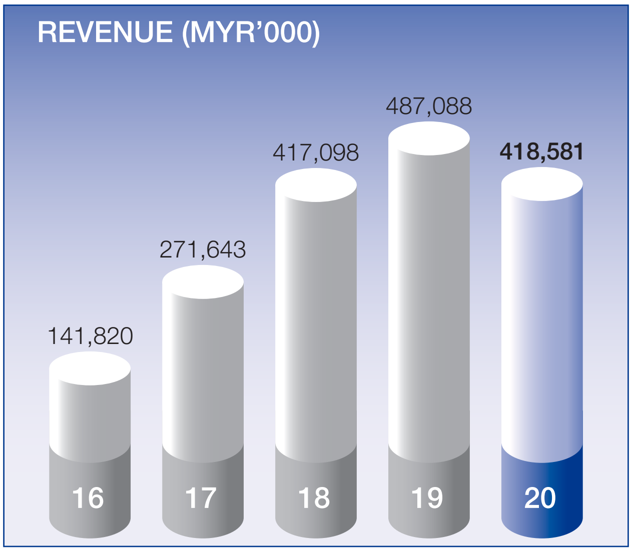
Additionally, the Group has been actively developing new business activity within the medical device segment with the incorporation of PDSB. PDSB was established by leveraging on the technical expertise of TP Concept to produce single-use medical devices for the healthcare industry, and the Group aims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

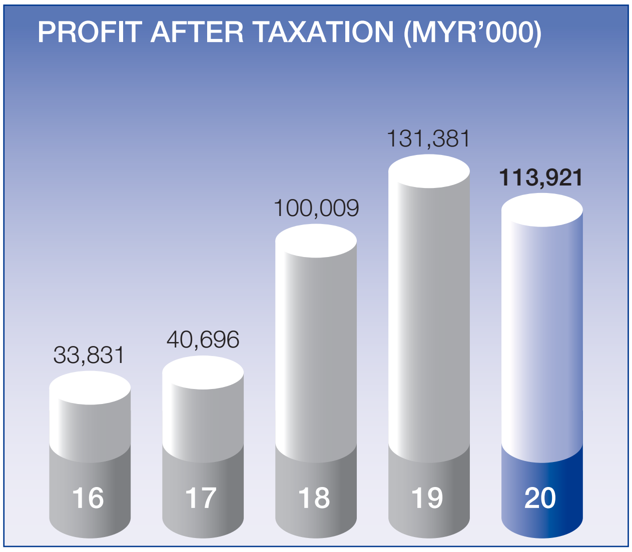
The Group operates in an increasingly competitive landscape where new businesses and technological trends are emerging. With that, the Group is prudently optimistic that year 2021 will be a promising year with plentiful business opportunities in this dynamic yet challenging market. While the extent of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

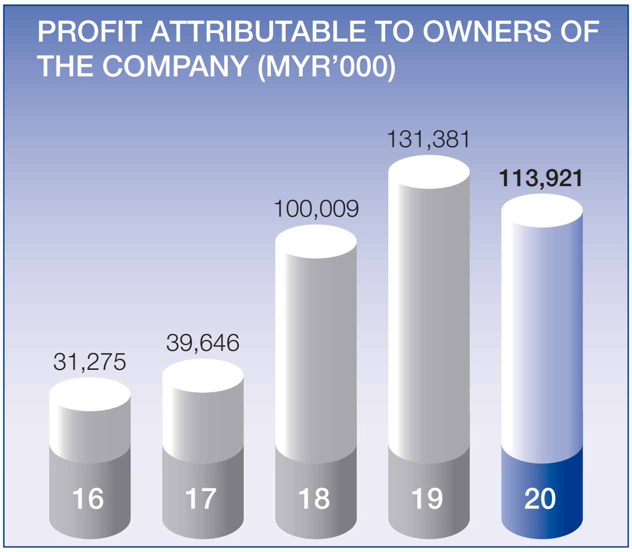
FINANCIAL SUMMARY

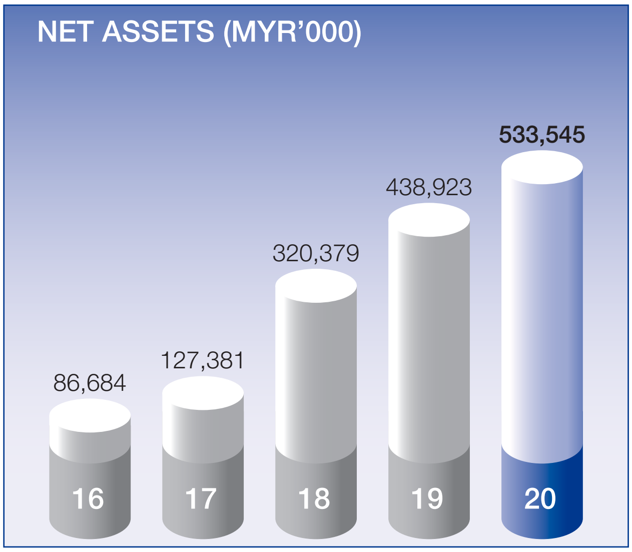
RESULTS (Audited)	**2020** **MYR'000**	2019 MYR'000	2018 MYR'000	2017 MYR'000	2016 MYR'000
Revenue	**418,581**	487,088	417,098	271,643	141,820
Profit before taxation	**114,804**	139,180	105,366	45,179	32,788
Profit after taxation	**113,921**	131,381	100,009	40,696	33,831
Profit attributable to:					
Owners of the Company	**113,921**	131,381	100,009	39,646	31,275
Non-controlling interests	**–**	–	–	1,050	2,556

ASSETS AND LIABILITIES					
Total assets	**659,276**	578,357	497,947	292,009	126,478
Total liabilities	**125,731**	139,434	177,568	164,628	39,794
Net assets	**533,545**	438,923	320,379	127,381	86,684









DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chuah Choon Bin ("Mr. Chuah"), aged 60, was appointed as our Director on 12 June 2017 and was re-designated as our Executive Director on 5 September 2017. Mr. Chuah was subsequently re-designated as the Chairman on 19 December 2017. He currently sits on the board of PCB as the non-executive chairman and non-executive director. PCB is currently listed on the Main Market of Bursa Malaysia and is the Controlling Shareholder of the Company. He also holds directorship in all the subsidiaries of the Group.

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

Under his leadership, the Company achieved the following recognitions:

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

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

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

(iv) recipient of the Enterprise 50 Award 2002 organised by Accenture and SMIDEC and Quality Management Excellence Award 2003 for the category of local company with annual sales turnover exceeding MYR25 million to MYR200 million at the Industry Excellence Award 2003 organised by Ministry of International Trade and Industry.

For his personal recognition, he won the First Malaysian Ernst & Young Emerging Entrepreneur of the Year Award Malaysia 2002.

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

Mr. Chuah is a co-founder of PCB and its subsidiaries including our Group (the "Pentamaster Group"). He graduated with a bachelor's degree in engineering with honours in May 1985 and a master's degree in engineering majoring in electrical and electronics in May 1989, both from the University of Auckland, New Zealand.

Mr. Chuah is the brother in-law of Ms. Gan Pei Joo, the Executive Director and the chief financial officer of the Company.

Ms. Gan Pei Joo ("Ms. Gan"), aged 45, was appointed as our Director on 12 June 2017 and was re-designated as our Executive Director on 5 September 2017. She was appointed as an executive director of PCB on 19 March 2021. She is also the chief financial officer and holds directorship in all the subsidiaries of the Group.

She commenced her career at PricewaterhouseCoopers in 2000 and was last served as a senior associate in 2003 after having acquired extensive auditing and consulting exposure to companies in various industries. She joined Pentamaster Group as the group accountant in 2003 and held various positions prior to her promotion as the group financial controller in 2009. Ms. Gan is primarily responsible for the overall management, corporate affairs, finance, treasury, control functions and budgeting of the Group. She also sits on the environment, social and governance (ESG) committee as well as risk management committee of the Group.

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

Ms. Gan is the sister in-law of Mr. Chuah Choon Bin, the Executive Director and the Chairman of the Group.

NON-EXECUTIVE DIRECTOR

Mr. Leng Kean Yong ("Mr. Leng"), aged 46, was appointed as our Director on 7 August 2017 and was re-designated as our non-executive Director on 5 September 2017. He is a member of the audit committee and the remuneration committee of the Company. He currently sits on the board of PCB as a non-executive independent director.

Mr. Leng has been in the finance and marketing field for over 20 years. He is highly experienced in the areas of business strategy, ranging from financial matters to business planning and marketing. He has successfully executed projects for small-medium sized industries to listed companies 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 blueprint, customer relationship management implementation, market entry and feasibility studies, and mergers and acquisitions evaluations.

At present, Mr. Leng is also one of the Directors at Crowd Sense Sdn. Bhd. (which operates under the brand name of Cofundr), a recognised market operator for peer-to-peer financing registered with the Securities Commission Malaysia. He was previously a Director at L3 Consulting Sdn. Bhd. and Project Director for Synovate Sdn. Bhd., and prior to that, a senior manager for ACNielsen Malaysia Sdn. Bhd. ("ACNielsen"). During his tenure at ACNielsen, he was awarded with three ACNielsen awards for his contribution in successfully implementing and 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 graduated from the Western Michigan University (cum laude), the United States, with a bachelor in business administration degree in April 1996. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sim Seng Loong @ Tai Seng ("Mr. Sim"), aged 54, was appointed as our independent non-executive Director on 19 December 2017. He is also the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company. He is primarily responsible for supervising and providing judgment to our Board.

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 and later transferred to Shanghai Eaton Engine Components Ltd (China) as financial controller. Upon returning to Malaysia in January 2012, he was appointed as chief operating officer and chief financial officer for The BIG Group Sdn. Bhd.. In January 2014, he joined Petrol One Resources Berhad as its chief financial officer and remained with the group until January 2019.

From December 2016 to July 2020, Mr. Sim served as an independent director of Jack-in Group Limited, a company listed on the Australian Securities Exchange (ASX: JIP). Currently, he sits on the board of Nova Wellness Group Berhad ("Nova"), a company listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: 0201) as an independent non-executive director. He is also the chairman of audit committee and risk management committee of Nova. In September 2020, Mr. Sim was appointed as an independent non-executive director of Ramssol Group Berhad ("Ramssol"). He is also the chairman of audit committee for Ramssol.

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

Dr. Chuah Jin Chong (蔡仁鐘) ("Dr. Chuah"), aged 59, was appointed as our independent non-executive Director on 19 December 2017. He is also the chairman of the nomination committee and a member of the remuneration committee. He is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Chuah has over 30 years of professional experience in the medical industry since he was registered as a medical practitioner in Queensland, Australia in 1988 and New Zealand in 1989. From December 1991 to July 2003, he was employed by the Hospital Authority in Hong Kong and retired as an associate consultant in the department of anaesthesia in the Queen Elizabeth Hospital, Hospital Authority. He is currently a registered medical practitioner in Hong Kong.

Dr. Chuah graduated from the University of Queensland, Australia, with the degree of bachelor of medicine and bachelor of surgery in December 1987. He was admitted as a fellow of the Hong Kong Academy of Medicine in the specialty of Anaesthesiology and a fellow of the Australian and New Zealand College of Anaesthetists in May 2001 and June 2001, respectively.

Ms. Chan May May ("Ms. Chan"), aged 55, was appointed as our independent non-executive Director on 19 December 2017. She is also a member of the audit committee and the nomination committee. She is primarily responsible for supervising and providing independent judgment to our Board.

She has over 20 years of experience in the legal field. She is currently the chief executive officer of ZICO Insource Inc. since July 2015, which is engaged in the provision of insourcing and consultancy services relating to legal, human resource and communications. Ms. Chan was the head of group corporate communication in Dialog Group Berhad from December 2012 to January 2015. Prior to that, she worked at Media Chinese International Ltd., a company listed on both the Stock Exchange (stock code: 685) and Bursa Malaysia Securities Berhad (stock code: 5090). From July 2017 to October 2020, she served as an independent non-executive director of BGMC International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1693).

Ms. Chan graduated from the University of Malaya in Malaysia with a degree of bachelor of laws with honours in August 1990. She has been admitted to the Malaysian Bar since March 1991.

SENIOR MANAGEMENT

Hon Tuck Weng
Operation Director

Mr. Hon Tuck Weng ("Mr. Hon"), aged 50, 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., a direct wholly-owned subsidiary of the Company in March 1995. Mr. Hon has more than 25 years of experience in automation solutions industry.

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

Teoh Siow Khiang
Senior General Manager

Mr. Teoh Siow Khiang ("Mr. Teoh"), aged 64, has been the senior general manager of Pentamaster Instrumentation Sdn. Bhd., a direct wholly-owned subsidiary of the Company ("Pentamaster Instrumentation") since January 2017. He is primarily responsible for overseeing the daily operations of Pentamaster Instrumentation. He joined as a general manager of Pentamaster Instrumentation in January 2006.

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

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

Teh Eng Chuan
Chief Operating Officer – automated test equipment division

Mr. Teh Eng Chuan ("Mr. Teh"), aged 47, has been the chief operating officer of Pentamaster Technology (M) Sdn. Bhd. ("Pentamaster Technology") since January 2015. Mr. Teh is primarily responsible for overseeing the daily operations of Pentamaster Technology. He joined as a vision software engineer of Pentamaster Technology in January 1996 and has over 20 years of experience in the machine vision, design and control. Mr. Teh completed a course of higher diploma in computer science in Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in April 1995.

Ng Chin Keng
Chief Operating Officer – factory automation solutions division

Mr. Ng Chin Keng ("Mr. Ng"), aged 42, has been the chief operating officer of Pentamaster Equipment Manufacturing Sdn. Bhd., a direct wholly-owned subsidiary of the Company ("Pentamaster Equipment") since January 2015. Mr. Ng is primarily responsible for overseeing the daily operations of Pentamaster Equipment. He joined as an automation software programmer in January 2000. Mr. Ng obtained a bachelor's degree of science in computing and information systems with honours from University of Lincolnshire & Humberside, United Kingdom, in July 2001.

You Chin Teik
Vice President of new business development

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

Ong Thean Lye
Chief Operating Officer – medical devices division

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

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

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

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of good corporate governance and the need to ensure that it is observed and practised throughout the Group. The Group strives to attain and maintain good corporate governance practices and is committed to achieving high standard of corporate governance and business ethics to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability.

CORPORATE GOVERNANCE PRACTICES

The shares of the Company have been listed on the Main Board of the Stock Exchange on the Listing Date. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date. During the year and up to the date of this annual report, the Company has complied with all the applicable provisions of the CG Code. Other than disclosed below, the Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Board composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors:

Mr. Chuah Choon Bin *(Chairman)*

Ms. Gan Pei Joo

Non-executive Director

Mr. Leng Kean Yong

Independent non-executive Directors

Dr. Chuah Jin Chong

Ms. Chan May May

Mr. Sim Seng Loong @ Tai Seng

Biographical details of the Directors are set out in the section headed “Directors and Senior Management” of this annual report. None of the members of Board is related to one another, save and except that Ms. Gan Pei Joo, the executive Director, is the sister-in-law of Mr. Chuah Choon Bin, the chairman and executive Director.

Roles and responsibilities of the Board

The Board is responsible for guiding and monitoring the Company and oversees the Group’s businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. 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, major acquisitions, investments and disinvestments;
- appointing Directors to the Board;
- approving any significant changes to accounting policies;
- approving public announcements, including 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;
- approving Company policies which may be developed from time to time;
- providing leadership and strategic directions for the Group;
- overseeing the proper conduct of the business;
- ensuring prudent and effective controls and risk management system; and
- Overseeing the development and implementation of shareholder communication policy.

Chairman and Chief Executive

The CG Code provision A.2.1 requires that the roles of chairman and chief executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who manage the business.

Mr. Chuah Choon Bin who is the chairman of the Board of the Company, provides leadership and is responsible for ensuring that the Board is functioning properly with good corporate governance practices and procedures. The Chairman also ensures that Board discussions are conducted in a manner that all views are taken into account before a decision is made.

The Company currently has not appointed any chief executive. The day-to-day management of business has been properly delegated to different individuals by the Board.

Ms. Gan Pei Joo, being the executive Director, is responsible for the overall management, corporate affairs, finance and control functions and budgeting of the Company. With the support of the senior management, the executive Directors have the general responsibility for day-to-day management of the Group's business, implementation of the policies of the Board and making operational decisions. The Board is regularly provided with adequate, complete and reliable information of the Company in a timely manner, which includes but not limited to, the recent development and prospects of the Group. Therefore, the Board considers that there is sufficient balance of power and authority between the Board and the management of the Company, and that power is not concentrated in the hands of any one individual.

Non-executive Directors and Independent non-executive Directors

The role of the non-executive Directors is to bring independent and objective judgment to the Board which mitigates risks arising from conflict of interest or undue influence from interested parties and protects the interest of minority shareholders. The Board recognises that it is important to periodically assess whether a Director who is designated as independent continue to satisfy such designation. Towards this end, an assessment of independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules is carried out on each of the independent non-executive Directors annually by every other member of the Board.

After the assessment, all independent non-executive Directors fulfil the independence requirements set out in Rule 3.13 of the Listing Rules. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent. In compliance with Rule 3.13 of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board.

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for a term of three years. The term of appointment of each Director is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company and the Listing Rules.

Board diversity policy

The Board has adopted a board diversity policy at a board meeting held on 19 December 2017. The Company recognises and embraces the importance and benefit to achieve diversity on the Company's Board to corporate governance and the Board's effectiveness. It endeavours to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Board will review the board diversity policy on a regular basis to ensure its continued effectiveness. During the year and as at the date of this annual report, the Board comprises six Directors, two of which are female. The following table further illustrates the diversity of the Board members as of the date of this annual report.

	Age Group			Educational Background				Professional Experience			
Name of Director	**40-49**	**50-59**	**60-69**	**Engineering**	**Law**	**Accountancy and finance**	**Medicine**	**Engineering**	**Law**	**Accountancy and finance**	**Medicine**
Mr. Chuah Choon Bin			✓	✓				✓			
Ms. Gan Pei Joo	✓					✓				✓	
Mr. Leng Kean Yong	✓					✓				✓	
Mr. Sim Seng Loong@Tai Seng		✓				✓				✓	
Dr. Chuah Jin Chong		✓					✓				✓
Ms. Chan May May		✓			✓				✓		

Each of the Board members possessed different educational background and professional experience including engineering, law, accountancy and finance and medicine. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience.

Board committee

The Board has established three committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") on 19 December 2017, to oversee particular aspects of the Group's affairs. Each of the three committees has sufficient resources and its specific terms of reference that are approved by the Board, relating to its responsibilities, duties, powers and functions, which are posted to the Stock Exchange's website and the Company's website.

The board committees will regularly report to the Board on decisions or recommendations made.

Audit committee

The Company has established the Audit Committee pursuant to a resolution of the Board passed on 19 December 2017 with written terms of reference in compliance with the CG Code and Rules 3.21 of the Listing Rules. The Audit Committee is primarily responsible for (i) reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, (ii) making recommendations to the Board on the appointment and removal of external auditors; (iii) performing the Company's corporate governance functions; and (iv) to monitor continuing connected transactions (if any).

The Audit Committee currently consists of the non-executive Director, namely Mr. Leng Kean Yong and two independent non-executive Directors, namely Mr. Sim Seng Loong @ Tai Seng and Ms. Chan May May. Mr Sim Seng Loong @ Tai Seng who is the chairman of the Audit Committee holds the appropriate professional qualifications as required under Rules 3.10(2) of the Listing Rules.

Pursuant to the terms of reference of the Audit Committee, Audit Committee meeting shall be held at least twice every year or more frequently if circumstances require. During the year ended 31 December 2020, four Audit Committee meetings were held, among other things, to review and consider the followings:

(a) reviewed the quarterly, interim and annual financial results of the Company as well as its results announcement and subsequently presented the relevant reports to the Board for approval before its subsequent release to Stock Exchange's website and the Company's website;

(b) monitored the Group's financial controls, internal control and risk management systems;

(c) reviewed the external auditors' management letter and any material queries or issues raised by the auditor; and

(d) reviewed the remuneration, qualifications and independence of the external auditor.

Remuneration committee

The Company has established the Remuneration Committee pursuant to a resolution of the Board passed on 19 December 2017 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are (i) to review and make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration; (ii) to review the Group's policy on expense reimbursements for the Directors and senior management; (iii) to make recommendations to the Board on the remuneration of non-executive Directors; and (iv) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The Remuneration Committee currently consists of one non-executive Director, Mr. Leng Kean Yong, and two independent non-executive Directors, namely Mr. Sim Seng Loong @ Tai Seng (Chairman) and Dr. Chuah Jin Chong.

Pursuant to the terms of reference of the Remuneration Committee, Remuneration Committee meeting shall be held at least once every year. During the year ended 31 December 2020, one Remuneration Committee meeting was held to review and make recommendation to the Board regarding the remuneration packages of Directors and senior management for the directors and senior management.

Details of the Directors' remuneration for the year are set out in Note 11 to the consolidated financial statements. The remuneration of the senior management of the Group by band for the year ended 31 December 2020 is set out below:

Remuneration bands	Number of senior management
HK$1,000,001 to HK$1,200,000	4
HK$0 to HK$1,000,000	2
	6

Nomination committee

The Company has established the Nomination Committee pursuant to a resolution of the Board passed on 19 December 2017 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are (i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on the appointment or re-appointment of Directors; and (v) to review the policy on Board diversity.

The Nomination Committee currently consists of all three independent non-executive Directors, namely Dr. Chuah Jin Chong (Chairman), Mr. Sim Seng Loong @ Tai Seng and Ms. Chan May May.

Pursuant to the terms of reference of the Nomination Committee, Nomination Committee meeting shall be held at least once every year. During the year ended 31 December 2020, one Nomination Committee meeting was held, among other things, to review and consider the followings:

(a) the retirement and re-nomination of directors for re-election at the forthcoming annual general meeting of the Company;

(b) the independence of the independent non-executive directors;

(c) the Board structure, size, composition and board diversity (including skills, knowledge and experience etc.); and

(d) the effectiveness of the related Board Diversity Policy and the Director's Nomination Policy.

Nomination policy

The Board has adopted a nomination policy which set out the criteria and process in the nomination and appointment of Directors. The policy stipulates the key selection criteria of the Company for the nomination of Directors as set out below.

(a) character and integrity;

(b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(c) willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(d) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(e) the Company's Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(f) such other perspectives appropriate to the Company's business and succession planning and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

The Board has the relevant procedures for Directors' nomination which are pursuant to Listing Rules and the articles of association of the Company (the "Articles of Association"). The details are set out in the section headed "Appointment and re-election of Directors" in this annual report.

Attendance Records of Meetings

The attendance of each Director at Board meetings, Audit Committee meeting, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year is set out in the following table:

	Board Meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the year	4	4	1	1	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Mr. Chuah Choon Bin *(Chairman)*	4/4	4/4	1/1	1/1	1/1
Ms. Gan Pei Joo	4/4	4/4	1/1	1/1	1/1
Non-executive Director					
Mr. Leng Kean Yong	4/4	4/4	1/1	1/1	1/1
Independent non-executive Directors					
Dr. Chuah Jin Chong	4/4	4/4	1/1	1/1	1/1
Ms. Chan May May	4/4	4/4	1/1	1/1	1/1
Mr. Sim Seng Loong @ Tai Seng	4/4	4/4	1/1	1/1	1/1

Corporate Governance Functions

The Audit Committee is responsible for performing the corporate governance functions in compliance with the code provision D.3.1 of the CG Code, and discussed (a) to develop and review an Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development ("CPD") of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (e) to review the Company's compliance with the code and disclosure in this Corporate Governance Report.

Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company and is appointed for a specific term of three years unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. The non-executive Director and each of the independent non-executive has entered into a letter of appointment with the Company and is appointed for a specific term of three years.

The Company uses a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Articles of Association and is led by the Nomination Committee, which will make recommendations on appointment of new Directors to the Board for approval.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

All Directors are subject to retirement and re-election in accordance with the Articles of Association. Pursuant to the Articles of Association, one-third of all Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation and re-election at each annual general meeting at least once every three years.

The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

Full details of changes in the Board during the year and up to the date of this annual report are provided in the section of this annual report headed "Directors' Report".

Continuous professional development

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors recognise the need to continue to undergo relevant training programs to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation as a board member. During the year ended 31 December 2020, the Directors participated in the following training:

Name of Directors	Type of trainings
Executive Directors	
Chuah Choon Bin	A, B, C
Gan Pei Joo	A, B, C
Non-executive Director	
Leng Kean Yong	A, B, C
Independent non-executive Directors	
Chuah Jin Chong	A, B, C
Chan May May	A, B, C
Sim Seng Loong @ Tai Seng	A, B, C

A: attending seminars and/or conferences and/or forums

B: attending in-house training relating to the ongoing compliance obligations, corporate governance and other related topics

C: reading newspapers, journals, Company's newsletters and updates relating to the economy, general business, automotive industry or Directors' duties and responsibilities, etc.

Directors' and Officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Model Code for Securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions (the "Securities Dealing Code"). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code during the year and up to the date of this annual report.

AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, Grant Thornton Hong Kong Limited ("GTHK") generally depends on the scope and volume of the external auditors' work performed.

For the year ended 31 December 2020, the remuneration paid or payable to GTHK in respect of the statutory audit services and non-audit services for our Group are as follows:

Services rendered	**HK$**
Audit service	650,000
Non-audit services	–
Total	650,000

COMPANY SECRETARY

Ms. Tsui Sum Yi, a manager, Corporate Services of Vistra (Hong Kong) Limited, an external service provider, has been engaged by the Company as its company secretary to support the Chairman, the Board and the Board Committees by ensuring good information flow and that the Board policy and procedures are followed. The primary contact person of the Company is Ms. Gan Pei Joo, the executive Director of the Company.

Ms. Tsui undertook at least 15 hours of relevant professional training annually to update her skills and knowledge.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

It is the responsibility of the Directors to prepare the 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 were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders. The independent auditor's report by external auditor, GTHK, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledged they are responsible for the adequacy and effectiveness of the Group's risk management and internal control system through the Audit Committee. 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 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 Audit Committee reviews and monitors the scope, issues, results and action plans in relation to or arising from the internal and external audits. The Audit Committee also assists the Board in fulfilling its oversight and corporate governance roles in the Group's risk management and internal controls as well as effectiveness of the internal audit functions.

Both the Audit Committee and the Board 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 key features of the risk management and internal control systems of the Group are described under the following headings:

Risk management and internal control structure

The Board has established a risk management committee (the "RMC") which comprises the Chairman, chief financial officer and senior management to assist in monitoring the risk management process within the Group and is responsible for the establishment and the maintenance of a framework of risk management for the Group.

The Group 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:

(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, RMC 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; and

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

Risk management process

The Group has an ongoing risk management process that involve, amongst others, (i) an annual risk identification and analysis exercise which involve assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) an annual review of the implementation of the risk management plans. This process is reviewed and monitored by RMC.

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 review covered all material controls, including financial, operational and compliance controls. The following factors were considered in the risk assessment:

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

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

(c) the likelihood of the risks concerned materializing; and

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

Moreover, the internal audit function of the Company assists Audit Committee and RMC to monitor the internal governance of the Company and provides independent assurance as to the adequacy and effectiveness of the Company's risk management and internal control systems.

For the year ended 31 December 2020, the Board conducted a review of the effectiveness of the risk management and internal control system, which covered the areas of financial, operational, compliance and risk management. The Board considered the system of the Group to be adequate and effective during the year. As at the date of this annual report, the Group has engaged an independent internal control consultant to review the adequacy and effectiveness of the Group's internal control system. The results and findings of such review from internal control consultant were directly reported to the Audit Committee. Going forward, the Directors will continue to regularly assess and review the effectiveness of the Group's risk management and internal control system.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its obligation under the Securities and Futures Ordinance and the Listing Rules, and the overriding principle that inside information should be announced immediately when it is the subject of a decision.

The Company makes reference to the "Guideline on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong in 2012 in handling and dissemination of inside information. The Company has also established and implemented procedures for responding to external enquiries about the Group's affairs. Executive Directors or other senior management staff nominated by the Board as well as the Company Secretary of the Company are authorised to communicate with parties outside the Group.

SHAREHOLDERS' RIGHTS

An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Procedures for shareholders to convene an EGM

Pursuant to the Articles of Association, EGM may be convened on the written request of any two or more Shareholders deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the request not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

EGM may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for putting forward proposals at shareholders' meetings

There are no provisions in the Articles of Association allowing Shareholders to put forward new resolutions at general meetings. Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for shareholders to convene an EGM" set out above.

Procedures for putting enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Board, which contact details are as follows:

Pentamaster International Limited
Plot 18 & 19, Technoplex
Medan Bayan Lepas
Taman Perindustrian Bayan Lepas
Phase IV, 11900 Penang
Malaysia

Telephone: (+604) 646 9212
Fax: (+604) 646 7212
Email: investor.relation@pentamaster.com.my

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board adopted a shareholders' communication policy at a board meeting held on 19 December 2017. The Board and senior management recognise their responsibilities to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company. The Company has established various and a wide range of communication channels with the shareholders with the objective of ensuring that the shareholders have equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. The channels include general meetings, annual reports, interim reports and quarterly reports, notices and circulars, announcements, and all the published disclosures submitted to the Stock Exchange. In addition, the Company updates its website from time to time to provide the shareholders with information of the Company's recent development.

The annual general meeting of the Company will provide a forum for the Board and the shareholders to communicate. The Board will answer questions raised by shareholders at the annual general meeting. At the meeting, separate resolution will be proposed by the Chairman for each issue and voting on each resolution will be conducted by poll. The results of the poll will be posted on the respective websites of the Stock Exchange and the Company on the same day of the meeting.

The Company has been striving to maintain high transparency and communicate with the shareholders and the investors of the Company through diversified communication channels. The Company holds press conferences and analyst briefing sessions from time to time to provide the latest business information of the Company to the investors.

CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company during the year.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

CORPORATE INFORMATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 June 2017 under the Companies Law. The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and has not carried out any business since its incorporation.

Details of the principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2020.

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's financial performance during the year using key performance indicators, a discussion on the Group's future business development and a description of the risks and uncertainties that the Group may be facing are set out in the section headed "Chairman's statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 6 to 16 of the annual report respectively. The financial risk management objectives and policies of the Group are set out in Note 40 to the consolidated financial statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are illustrated in pages 42 to 43 of the annual report. These discussions form part of this directors' report.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 58 to 63.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy") on 27 February 2019 with the aim to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's operations, earnings, financial condition, working capital requirements, future expansion plans and other factors it may deem relevant and appropriate. Any final dividend for a financial year declared by the Company must be approved by an ordinary resolution of the shareholders at an annual general meeting of the Company and must not exceed the amount recommended by the Board.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific period. The Company's Dividend Policy is available on the Company's website.

FINAL DIVIDEND

In respect of the year ended 31 December 2020, the Board recommends the payment of a final dividend of HK$0.02 per share ("Final Dividend") subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

ISSUE OF BONUS SHARES

The Board proposes to make a bonus issue of one new share for every two shares held (2019: Nil) to shareholders whose names appear on the register of members of the Company on Tuesday, 22 June 2021 (the "Bonus Shares"). The relevant resolution will be proposed at the forthcoming annual general meeting of the Company, and if passed and upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such new shares, share certificates for the Bonus Shares will be posted on Wednesday, 7 July 2021. For details, please refer to the Company's announcement dated 16 March 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on Thursday, 10 June 2021. The register of members of the Company will be closed for the following periods:

a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 7 June 2021 to Thursday, 10 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the attendance and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 4 June 2021.

b) For determining the entitlement to the Final Dividend, the register of members of the Company will be closed from Friday, 18 June 2021 to Tuesday, 22 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the Final Dividend, all transfer of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 June 2021.

c) For the purpose of determining shareholders' entitlement to the Bonus Shares, the register of members of the Company will be closed from Friday, 18 June 2021 to Tuesday, 22 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the Bonus Shares, all transfers of Shares accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 June 2021.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2020, calculated under Companies Law, Cap. 22 (Laws 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately MYR128,239,000 (2019: MYR148,391,000)

DONATIONS

During the year under review, the Group made charitable donations amounting to MYR31,000 (2019: MYR199,000).The rest of the donations amounting to MYR114,000 were made through Pentamaster Corporation Berhad which is the immediate holding company of the Company.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment totalling approximately RM40.9 million (2019: RM14.0 million). Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 14 to the consolidated financial statements of this annual report.

UPDATE ON PROFIT GUARANTEE IN RESPECT OF THE ACQUISITION OF 100% EQUITY INTEREST OF TP CONCEPT

References are made to (i) the announcement of the Company dated 26 September 2019 in relation to the acquisition of 100% equity interest in TP Concept and (ii) the announcement of the Company dated 25 February 2021 in relation to the extension of profit guarantee period. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the said announcements of the Company.

Based on the financial statement of TP Concept for FYE 2020 and FYE 2021, the Vendors do not expect the Aggregate PAT of TP Concept to meet the Aggregate Profit Guarantee.

Given the reasons for the Shortfall were mainly due to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which were beyond the control of the Vendors, and considering the business prospect of TP Concept, Pentamaster Equipment Manufacturing Sdn. Bhd. and the Vendors (the "Parties") have entered into a supplemental share sale agreement on 25 February 2021 (the "Supplemental Agreement") to extend the Profit Guarantee Period for the Vendors to fulfill the Aggregate Profit Guarantee. The Parties have mutually agreed that the Aggregate PAT to be used for determining the Aggregate Profit Guarantee shall be the Aggregate PAT of TP Concept for FPE 2019, NFYE 2020, NFYE 2021 and NFYE 2022 ("Extended Profit Guarantee Period").

In summary, with the extension of Profit Guarantee Period, the Aggregate PAT in respect of TP Concept for FPE 2019, NFYE 2020, NFYE 2021 and NFYE 2022 shall not be less than MYR12,000,000. In the event the Aggregate PAT cannot be achieved during the Extended Profit Guarantee Period, the Vendors shall be liable to pay the shortfall to the Purchaser up to MYR12,000,000.

Save as disclosed elsewhere in this annual report, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Prospectus of the Company, is set out in page 17 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The industry that we operate in is subject to domestic and foreign health, safety and environmental laws and regulations. In order to ensure compliance with the applicable laws and regulations, our Group has established an internal policy to monitor and control health and work safety issues. Our Group's internal health and safety officer and committee are responsible for the development and implementation of health and safety rules as well as a safe system of work. Their responsibilities include carrying out studies on the trend of accident and its prevention, reviewing the effectiveness of our current health and safety system and making recommendations to our management for any improvement on relevant policies. Health and safety inspection will also be carried out by our management once every quarter. In addition, information, instruction and supervision relating to health and safety issues are provided to all of our employees and any jobs with potential safety issue. 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.

In respect of environmental matters, it is our Group's policy to ensure appropriate response to any situations involving leakage of chemicals or hazardous gas emission as well as prevention or mitigation of the environmental impacts associated with the above situations. Further, we also dispose of our scrap materials and electrical wastes through companies approved by the government to handle such items. Below are some initiatives undertaken by the Group during the year:

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.

During the year, the Group did not record any material violation of any health, work safety and environmental laws and regulations applicable to our operations that resulted in claim or penalty imposed on our Group. Our Group has complied with the relevant environmental laws and regulations in all material respects.

As required by the Listing Rules, the Company is required to report on environmental, social and governance ("ESG") information of the Group on an annual basis and regarding the same period covered in this annual report. The Company will publish the ESG report on the websites of the Company and the Stock Exchange in due course.

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 are 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 and investor relations
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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year and up to the date of this annual report.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Chuah Choon Bin *(Chairman)*
Ms. Gan Pei Joo

Non-executive Director

Mr. Leng Kean Yong

Independent non-executive Directors

Dr. Chuah Jin Chong
Ms. Chan May May
Mr. Sim Seng Loong @ Tai Seng

Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if the number of Directors is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Any Director appointed to fill a casual vacancy shall, hold office only until the next following general meeting of the Company and such Director shall then be eligible for re-election at the relevant general meeting by the Shareholders. In the upcoming annual general meeting, all the Directors will retire and be subject to re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" of this annual report.

CHANGE IN THE DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

– Ms. Gan Pei Joo, an executive Director, has been appointed as an executive director of PCB with effect from 19 March 2021.

– Mr. Sim Seng Loong@Tai Seng, an independent non-executive Director, resigned as independent director of Jack-in Group Limited, a company listed on the Australian Securities Exchange (ASX: JIP) with effect from 27 July 2020. Also, he has been appointed as an independent non-executive director of Ramssol Group Berhad with effect from 15 September 2020.

– Ms. Chan May May, an independent non-executive Director, resigned as independent non-executive director of BGMC International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1693) with effect from 7 October 2020.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company on 19 December 2017 for an initial term of three years commencing from the Listing Date. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term. None of the Directors who are proposed for re-election at the annual general meeting has an unexpired service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 38 to the consolidated financial statements, there was no transaction, arrangement or contract of significance to which any of the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Company did not enter into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Company, by which a person undertakes the management and administration of the whole, or any substantial part of any business of the Company during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and any Controlling Shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any Controlling Shareholders or any of its subsidiaries.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals in the Group during the year are set out in Note 11 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES OF THE COMPANY, ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of the SFO, as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(i) Interest in the Company

Name of Director	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Mr. Chuah Choon Bin	Beneficial owner	17,740,800(L)	1.11%
Ms. Gan Pei Joo	Beneficial owner	5,085,696(L)	0.32%
Dr. Chuah Jin Chong	Beneficial owner	112,000(L)	0.01%

(ii) Interest in an associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Mr. Chuah Choon Bin	PCB	Beneficial owner	139,920,120(L)	19.64%
		Interest in spouse *(Note 2)*	138,510(L)	0.02%
Ms. Gan Pei Joo	PCB	Beneficial owner	486(L)	0.00%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Mr. Chuah Choon Bin is deemed under the SFO to be interested in the 138,510 shares in PCB held by his spouse.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive or any of their spouses or children under 18 years of age, has any interest or short position in the shares, underlying shares or debentures of the Company or any of its specified undertakings or other associated corporations which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2020, the interests and short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	**Capacity**	**Number of Shares** *(Note)*	**Approximate percentage of shareholding**
PCB	Beneficial owner	1,009,535,993(L)	63.10%

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Note: The letter "L" denotes the person's long position in the Shares.

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement (as defined in section 6 of the Companies (Director's Report) Regulation (Chapter 622D of the laws of Hong Kong)).

DEED OF NON-COMPETITION

A deed of non-competition dated 20 December 2017 has been entered into by PCB (the "Controlling Shareholder") in favour of the Company (the "Deed of Non-Competition"). Pursuant to the Deed of Non-Competition, the Controlling Shareholder has undertaken to the Company that it shall not, and will procure its close associates not to, among other matters, directly or indirectly engage, participate, or hold any right or interest in any companies or be involved in any business which is or may be in competition with the business of the Group from time to time. Details of the Deed of Non-Competition are set out in the sub-section headed "Non-Competition Undertakings" in the section headed "Relationship with our Controlling Shareholder" of the Prospectus.

The Company has received an annual declaration in writing from the Controlling Shareholder confirming that it had complied with the non-competition undertakings provided to the Company under the Deed of Non-Competition. The independent non-executive Directors have reviewed the status of compliance and enforcement of the Deed of Non-Competition and confirmed that all the undertakings thereunder have been complied with for the year ended 31 December 2020.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive Directors to be independent.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

RETIREMENT SCHEMES

The Group operates a defined contribution Employees Provident Fund Scheme for employees in Malaysia. Particulars of these schemes are set out in note 2.19 to the consolidated financial statements.

As prescribed by the Employees Provident Fund ("EPF"), the Group's employees employed in Malaysia who are Malaysian are required to join the EPF scheme. The total costs charged to profit or loss amounting to MYR6,196,000 (2019: MYR5,384,000) represent contributions paid to the retirement benefits scheme by the Group.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that the trustee of the Scheme, pursuant to the terms of the rules and trust deed of the Scheme, purchased on the Stock Exchange a total of 5,880,000 Shares at a total consideration of approximately HK$10.6 million (equivalent to approximately MYR5.8 million) during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective Articles of Associations.

Such provisions were in force during the course of the financial year ended 31 December 2020 and remained in force as of the date of this report. The Company has maintained liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2020 are disclosed in note 38 to the consolidated financial statements. Save as mentioned in the section "Continuing Connected Transactions" below, other related party transactions did not constitute connected transactions and continuing connected transaction as defined in chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group had entered into the following continuing connected transactions with its connected persons.

Trademark Licence Agreement

On 19 December 2017, Pentamaster Technology (M) Sdn. Bhd., a direct wholly-owned subsidiary of the Company ("PT"), entered into a trademark licence agreement (the "Trademark Licence Agreement") with PCB, pursuant to which PT granted to PCB an irrevocable right to use the trademarks (the "Trademarks"), for use in PCB Group's day-to-day business on a non-transferable, non-exclusive and royalty-free basis, for an indefinite term until PCB ceases to be a Controlling Shareholder.

As the Trademarks have been widely adopted in all the businesses and activities managed and operated by the Pentamaster Group and are generally known and recognised by the public, the Trademarks have become an important means of promoting the Pentamaster Group's brand and image and a key icon in all of the Pentamaster Group's external promotion and marketing activities. The continual use of the Trademarks will ensure the continuity of the brand and image of the Pentamaster Group, thereby ensuring the long-term development and continuity of the Pentamaster Group's business. Having considered the foregoing, our Directors consider that it is reasonable to license the Trademarks to PCB to enable it to sustain the PCB Group's business operations and an indefinite duration of the agreement (until PCB ceases to be a Controlling Shareholder) is justifiable. Our Directors are of the view that the Trademark Licence Agreement has been entered into on normal commercial terms which are fair and reasonable and in the interests of the Pentamaster Group and our Shareholders as a whole.

As the applicable percentage ratios for the Trademark Licence Agreement is expected to be less than 0.1% on an annual basis, such transaction is fully exempt from the reporting, annual review, announcement, circular, independent financial advice and the independent shareholders' approval requirement under Rule 14A.76(1) of the Listing Rules.

Lease agreements in respect of office premises

On 19 December 2017, PT as landlord entered into two lease agreements, one with each of PCB and Pentamaster Smart Solution Sdn. Bhd. ("PSS"), a subsidiary of PCB respectively, as tenant (together the "Lease Agreements"), pursuant to which PT agreed to lease the premises situated at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia to each of PCB and PSS for office use (the "Office Premises").

The Lease Agreements have a term of three years commencing from the Listing Date. On 1 October 2018, PT entered into two revised lease agreements with PCB and PSS respectively. The revised lease agreements had a term of 15 months until 31 December 2019. The revised lease agreements were subsequently extended until 31 December 2020. The rental to be paid to PT under each of the Lease Agreements was negotiated on an arm's length basis and on normal commercial terms determined based on the historical rental for the Office Premises and the prevailing market rent of similar premises.

Since the transactions contemplated under the Lease Agreements are similar in nature, such transactions should be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio for the Lease Agreements in aggregate calculated for the purpose of Chapter 14A of the Listing Rules is less than 5.0% and the annual consideration is less than HK$3.0 million, such continuing connected transactions are within the de minimis threshold stipulated in the Rule 14A.76(1) of the Listing Rules and fully exempt from the reporting, annual review, announcement, circular, independent financial advice and the independent shareholders' approval requirement under Rule 14A.76(1) of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer: 18.9%

– five largest customers in aggregate: 44.6%

Purchases

– the largest supplier: 6.9%

– five largest suppliers in aggregate: 22.0%

At no time during the year, the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's share capital) has any interest in these major customers or suppliers.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which shall oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued share was held by the public as at the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2020 have been audited by GTHK, who will retire at the forthcoming AGM and being eligible, offers themselves for re-appointment. A resolution for the re-appointment of GTHK as auditors of the Company will be proposed at the forthcoming AGM. There has been no change of auditor of the Company since the Listing Date.

Grant Thornton
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TO THE MEMBERS OF
PENTAMASTER INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pentamaster International Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 58 to 136, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition

Refer to notes 2.17, 4.1 and 5 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The revenue recognition from the automated test equipment and factory automation solutions segments depends on the nature of the contractual arrangement with the customer and this could impact the point at which the control is transferred and service is rendered to the customer. The revenue from these activities amounted to approximately MYR419 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: – Evaluating the assessment performed by management on compliance with revenue recognition policies. – Obtaining an understanding of the Group's revenue recognition processes and their application and thereafter testing controls on the occurrence of revenue. – Performed analytical procedures on the trend of revenue recognised to identify for any abnormalities. – On a sampling basis, we have performed substantive testing to verify that revenue recognition criteria are being properly applied. – Assessing the correct period for the revenue recognised by testing cut-off through assessing sales transactions taking place at either side of the end of reporting period as well as checking credit notes and sales returns issued after the reporting period.

KEY AUDIT MATTERS *(continued)*

Provision for expected credit losses of trade receivables

Refer to notes 2.12, 4.2 and 21 to the consolidated financial statements

The Key Audit Matter

The Group has significant exposure to credit risk arising from its trade receivables as at 31 December 2020.

Assessing expected credit losses of trade receivables requires the management's judgement and uses of estimates in determining the probability of default occurring by considering the ageing of receivable, historical loss experience and forward-looking information.

How the matter was addressed in our audit

Our audit procedures in relation to impairment of trade receivables included:

- Obtaining an understanding of:
  - (i) the Group's control over the trade receivables' collection process;
  - (ii) how the Group identifies and assess the impairment of trade receivables; and
  - (iii) how the Group makes the accounting estimates for impairment.
- Evaluating the application of group policy for calculating the expected credit loss.
- Considering the ageing of the trade receivables.
- Evaluating techniques and methodology in the expected credit loss approach against the requirements of IFRS 9.
- Evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions with the assistance of our valuation experts.
- Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors and evidence of subsequent settlements.
- Comparing the assumptions used to estimate the provision for impairment with the available industry data.
- Assessing the operating effectiveness of control policies over ongoing internal credit quality assessments.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee 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 Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 February 2021

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 MYR'000	2019 MYR'000
Revenue	*5*	**418,581**	487,088
Cost of goods sold		**(278,188)**	(308,034)
Gross profit		**140,393**	179,054
Other income	*6*	**10,455**	14,332
Distribution costs		**(7,808)**	(7,201)
Administrative expenses		**(26,871)**	(45,874)
Other operating expenses		**(45)**	(211)
Operating profit		**116,124**	140,100
Finance costs	*8*	**(117)**	(186)
Share of results of an associate	*19*	**(1,203)**	(734)
Profit before taxation	*9*	**114,804**	139,180
Taxation	*10*	**(883)**	(7,799)
Profit and total comprehensive income for the year attributable to owners of the Company		**113,921**	131,381
Earnings per share attributable to owners of the Company (sen)			
Basic and diluted	*12*	**7.12**	8.21

The notes on pages 64 to 136 are an integral part of these consolidated financial statements. Details of dividends proposed for the year are set out in note 13.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 MYR'000	2019 MYR'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**114,414**	78,088
Leasehold land	*15*	**7,331**	7,476
Goodwill	*16*	**4,495**	4,495
Intangible assets	*17*	**32,058**	30,985
Interest in an associate	*19*	**7,583**	4,062
Other receivables, deposits and prepayments	*22*	**10,609**	21,461
		176,490	146,567
Current assets			
Inventories	*20*	**33,836**	59,458
Trade receivables	*21*	**139,896**	61,692
Other receivables, deposits and prepayments	*22*	**3,560**	4,253
Amount due from ultimate holding company	*38(d)*	**–**	2
Amount due from a fellow subsidiary	*38(d)*	**–**	6
Derivative financial assets	*23*	**3,336**	2,395
Other investments	*24*	**676**	–
Tax recoverable		**1,202**	29
Cash and cash equivalents	*25*	**300,280**	303,955
		482,786	431,790
Total assets		**659,276**	578,357
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*26*	**8,054**	8,054
Reserves	*27*	**525,491**	430,869
Total equity		**533,545**	438,923

	Notes	2020 MYR'000	2019 MYR'000
LIABILITIES			
Current liabilities			
Trade payables	*28*	**62,671**	31,478
Other payables, accruals and provisions	*29*	**37,280**	40,023
Contract liabilities	*30*	**15,471**	49,559
Amount due to a fellow subsidiary	*38(d)*	**6**	–
Bank borrowing	*31*	**2,976**	3,362
Provision for taxation		**744**	1,968
		119,148	126,390
Non-current liabilities			
Deferred income	*32*	**1,746**	2,072
Other payables, accruals and provisions	*29*	**–**	5,598
Deferred tax liabilities	*33*	**4,837**	5,374
		6,583	13,044
Total liabilities		**125,731**	139,434
Total equity and liabilities		**659,276**	578,357

Gan Pei Joo
Director

Chuah Choon Bin
Director

The notes on pages 64 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Equity attributable to owners of the Company						
	Share capital	Share premium*	Shares held for share award scheme (the "Scheme")*	Capital reserve*	Retained profits*	Proposed final dividend*	Total
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
	(note 26)	*(note 27)*	*(note 36)*	*(note 27)*	*(note 27)*	*(note 13)*	
As at 1 January 2019	8,054	84,936	–	44,477	170,479	12,433	320,379
Profit and total comprehensive income for the year	–	–	–	–	131,381	–	131,381
2018 final dividend declared	–	–	–	–	(404)	(12,433)	(12,837)
2019 final dividends proposed *(note 13)*	–	–	–	–	(13,032)	13,032	–
As at 31 December 2019 and 1 January 2020	8,054	84,936	–	44,477	288,424	13,032	438,923
Transactions with owners:							
Purchase of shares for share award scheme *(note 36)*	–	–	(5,849)	–	–	–	(5,849)
	–	–	(5,849)	–	–	–	(5,849)
Profit and total comprehensive income for the year	–	–	–	–	113,921	–	113,921
2019 final dividend declared	–	–	–	–	(418)	(13,032)	(13,450)
2020 final dividends proposed *(note 13)*	–	–	–	–	(16,672)	16,672	–
As at 31 December 2020	**8,054**	**84,936**	**(5,849)**	**44,477**	**385,255**	**16,672**	**533,545**

* The total of these balances represents "Reserves" in the consolidated statement of financial position.

The notes on pages 64 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 MYR'000	2019 MYR'000
Cash flows from operating activities		
Profit before taxation	**114,804**	139,180
Adjustments for:		
Amortisation of intangible assets	**3,148**	755
Amortisation of leasehold land	**145**	145
Deferred income released	**(326)**	(252)
Depreciation of property, plant and equipment	**4,295**	3,536
Gain on disposal of property, plant and equipment	**–**	(14)
Gain from changes in fair value of foreign currency forward contracts	**(941)**	(7,205)
Gain on disposal of other investments	**(569)**	–
Loss from changes in fair value of other investments	**116**	–
Interest expenses	**117**	186
Bank interest income	**(5,912)**	(6,743)
Inventory written downs – addition	**262**	2,497
Inventory written downs – reversal	**(1,661)**	(435)
Expected credit loss ("ECL") allowance on trade receivables – current year	**7,012**	3,019
ECL allowance on trade receivables – reversal	**(870)**	–
Property, plant and equipment written off	**225**	3
Intangible assets written off	**16**	–
Provision for warranty – current year	**647**	866
Provision for warranty – reversal	**(866)**	(736)
Share of results of an associate	**1,203**	734
Unrealised loss on foreign exchange	**856**	2,803
Operating profit before working capital changes	**121,701**	138,339
Decrease in inventories	**27,021**	95,398
Increase in receivables	**(74,335)**	(15,106)
Increase/(Decrease) in payables	**23,323**	(21,331)
Decrease in contract liabilities	**(34,088)**	(49,533)
Net change in a fellow subsidiary's balance	**12**	(12)
Cash generated from operations	**63,634**	147,755
Interests paid	**(117)**	(186)
Tax paid	**(3,826)**	(7,141)
Tax refunded	**9**	954
Net cash from operating activities	**59,700**	141,382

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2020

	Note	2020 MYR'000	2019 MYR'000
Cash flows from investing activities			
Bank interest received		**5,912**	6,743
Acquisition of a subsidiary, net of cash acquired		**–**	(15,379)
Proceeds from disposal of property, plant and equipment		**–**	25
Purchase of intangible assets		**(4,237)**	(7,650)
Purchase of property, plant and equipment		**(40,846)**	(13,966)
Proceeds from disposal of other investments		**13,579**	–
Acquisition of other investments		**(13,802)**	–
Acquisition of redeemable convertible preference shares of an associate		**(3,000)**	–
Investment in an associate		**(1,724)**	(1,750)
Net cash used in investing activities		**(44,118)**	(31,977)
Cash flows from financing activities			
Advance from/(Repayment to) ultimate holding company		**2**	(8,209)
Repayment of term loan		**(386)**	(318)
Repayment of finance lease liabilities		**–**	(36)
Dividends paid to owners of the Company		**(13,450)**	(12,837)
Purchase of shares for share award scheme		**(5,849)**	–
Net cash used in financing activities		**(19,683)**	(21,400)
Net (decrease)/increase in cash and cash equivalents		**(4,101)**	88,005
Cash and cash equivalents at the beginning of the year		**303,955**	217,705
Effect of foreign exchange rate changes		**426**	(1,755)
Cash and cash equivalents at the end of the year	*25*	**300,280**	303,955

The notes on pages 64 to 136 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Pentamaster International Limited (the "Company") was incorporated in the Cayman Islands on 12 June 2017 as an exempted company with limited liability under the Companies Law. The address of its registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The address of its principal place of business is Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang, Malaysia.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 January 2018.

The Company is an investment holding company and has not carried out any business since its incorporation. The Company and its subsidiaries (collectively, the "Group") are principally engaged in (i) designing, development and manufacturing of standard and non-standard automated test equipment; (ii) designing, development and installation of integrated factory automation solutions and (iii) manufacturing and assembling of medical machines and manufacturing of die casting parts.

The Company's immediate holding company is Pentamaster Corporation Berhad ("PCB"), a company incorporated in Malaysia with its shares listed on the Main Market of Bursa Malaysia Securities Berhad. As at 31 December 2020, the directors regard PCB as the ultimate holding company.

These consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 25 February 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 58 to 136 have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), the collective term of which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB").

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

These consolidated financial statements have been prepared on the historical cost basis except derivative financial assets and other investments in equity securities and redeemable convertible preference shares which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The consolidated financial statements are presented in Ringgit Malaysia ("MYR"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("MYR'000"), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

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

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and consolidated 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 profit or loss and other 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.

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.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition–date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4 Associate

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Associate *(continued)*

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

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

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

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

2.5 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

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

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

Construction in progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction 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. Construction in progress is 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.

2.6 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.9).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Leases *(continued)*

(a) Definition of a lease and the Group as a lessee *(continued)*

Measurement and recognition of leases as a lessee (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its buildings. Rental income is recognised on a straight-line basis over the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Development expenditure	5 years
Computer software	2 – 5 years
Technical know-how	10 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Research and development expenditure

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 when the Group can demonstrate:

– the technical feasibility of completing the asset so that it will be available for use or sale;

– its intention to complete and its ability to use or sell the asset;

– how the asset will generate future economic benefits;

– the availability of resources to complete the project; and

– the ability to measure reliably the expenditure during the development.

Development costs which do not meet these criteria are recognised in profit or loss as incurred.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets (other than goodwill) *(continued)*

Computer software

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

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

Technical know-how

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

2.9 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Intangible assets;
- Property, plant and equipment (including right-of-use assets); and
- The Company's interests in subsidiaries and associate

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Impairment of non-financial assets *(continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 Inventories

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

Cost 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.

2.11 Financial instruments

Recognition and derecognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial instruments *(continued)*

Classification and subsequent measurement of financial assets

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

– amortised cost;

– fair value through profit or loss (FVTPL); or

– fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, promissory note, amounts due from ultimate holding company and a fellow subsidiary, trade and majority of other receivables fall into this category of financial instruments.

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial instruments *(continued)*

Subsequent measurement of financial assets *(continued)*

Debt investments *(continued)*

Equity investments

Investments in equity securities and redeemable convertible preference shares are classified as FVTPL.

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

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, amount due to a fellow subsidiary, trade and other payable.

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Amount due to a fellow subsidiary, trade and other payable

Amount due to a fellow subsidiary, trade and other payable are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to derive impairment using the expected credit loss ("ECL") approach. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

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

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

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

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

Trade receivables

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

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Impairment of financial assets *(continued)*

Other financial assets measured at amortised cost *(continued)*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 365 days past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 40.2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Cash and cash equivalents

Cash comprises cash in hand, cash at bank and demand deposits with banks. Cash equivalents are short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.14 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue (see note 2.17) when the Group satisfies its performance obligation under the contract.

2.15 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.

2.16 Provision for liabilities and warranty costs

Provisions for liabilities are recognised when the Group has a present (legal or constructive) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Revenue recognition

Revenue arises mainly from the sales of goods and rendering of services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other income recognition policies are as follows:

Sales of equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Revenue recognition *(continued)*

Sales of equipment *(continued)*

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

Revenue from rendering of services

Revenue from rendering of services is recognised when services are rendered.

Rental income from operating leases

Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.18 Borrowing costs

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

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

2.19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

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

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

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

2.21 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 liabilities are generally recognised for all taxable temporary differences.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Income tax *(continued)*

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.

2.22 Foreign currency transactions

Transactions in foreign currencies are translated into 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.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, against the share capital account.

2.24 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Structured entity

The Group controls a structured entity, the trust constituted by the trust deed, which is set up solely for the purpose of purchasing, administering and holding the Company's shares for an employees' share award scheme (see note 2.20). As the Group has the power to direct the relevant activities of the trust and it has the ability to use its power over the trust to affect its exposure to returns, the assets and liabilities of trust are included in the consolidated statement of financial position and the Company's shares held by the trust are presented as a deduction in equity as "Shares held for share award scheme".

2.26 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 party is considered to be related to the Group if:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the ultimate holding company of the Group, or the Group.

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

- (i) the entity and the Group are members of the same group.
- (ii) one 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 benefit 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) 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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED IFRSS

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2020

In the current year, the Group has applied for the first time the following amended IFRSs issued by the IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

The adoption of the new and amended IFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Issued but not yet effective IFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts and related amendments[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[6]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective date not yet determined
5 Effective for business combination/common control combination for which the acquisition/combination is on or after the beginning of the first annual period beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of other new and amended IFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated 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.

4.1 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 consolidated financial statements other than the following:

Revenue recognition

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

The details of revenue during the years ended 31 December 2020 and 2019 are disclosed in note 5.

4.2 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:

Useful lives of depreciable assets

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

The carrying amount of property, plant and equipment as at 31 December 2020 and 2019 is disclosed in note 14.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Key sources of estimation uncertainty *(continued)*

Impairment of property, plant, and equipment, leasehold land and intangible assets

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of property, plant and equipment, leasehold land 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. The carrying amounts of property, plant and equipment, leasehold land and intangible assets as at 31 December 2020 and 2019 are disclosed in notes 14, 15 and 17, respectively. No impairment losses are provided for property, plant and equipment, leasehold land and intangible assets during the years ended 31 December 2020 and 2019.

Provision for ECL of trade receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may be different from of customer's actual default in the future, such difference will impact the carrying amount of trade receivables and credit losses in the periods in which such estimate has been changed.

The carrying amount of trade receivables as at 31 December 2020 and 2019 and details of movement in impairment of trade receivables during the current and prior years are disclosed in note 21.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimate is made. Possible changes in these estimates could result in revisions to the valuations of inventories. The carrying amount of inventories as at 31 December 2020 and 2019 are disclosed in note 20.

5. REVENUE AND SEGMENT REPORTING

5.1 Revenue

The Group's principal activities are disclosed in note 1 to these consolidated financial statements. The Group's revenue from external customers recognised during the year is as follows:

	2020 MYR'000	2019 MYR'000
Invoiced value of goods sold less returns and discounts	**403,839**	479,068
Service rendered	**14,742**	8,020
	418,581	487,088

Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods and services at a point in time in the following customers' segment for both the automated test equipment segment and factory automation solutions segment:

	2020 MYR'000	2019 MYR'000
Automated test equipment		
– Electro-Optical (Previous known as telecommunications)	**145,270**	319,674
– Automotive	**70,186**	44,958
– Semiconductor	**56,064**	32,309
– Consumer and industrial products	**11,088**	25,547
– Medical devices	**350**	–
	282,958	422,488
Factory automation solutions		
– Consumer and industrial products	**50,393**	10,951
– Medical devices	**36,832**	8,283
– Electro-Optical (Previous known as telecommunications)	**32,708**	17,720
– Automotive	**13,960**	25,461
– Semiconductor	**1,730**	2,185
	135,623	64,600
	418,581	487,088
Timing of revenue recognition		
– At a point in time	**418,581**	487,088

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information

Business segments

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

(i)	Automated test equipment:	Designing, development and manufacturing of standard and non-standard automated equipment.
(ii)	Factory automation solutions:	Designing, development and installation of integrated factory automation 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 and other 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.

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	*Note*	Total MYR'000
Year ended 31 December 2020					
Revenue					
External customers	282,958	135,623			418,581
Inter-segment revenue	9,428	2,688	(12,116)	*(i)*	–
Total revenue	292,386	138,311			418,581
Results					
Segment results	95,187	17,914	(2,889)		110,212
Interest income	5,722	183	7		5,912
Interest expenses	(117)	–			(117)
Share of results of an associate	–	–	(1,203)		(1,203)
Profit before taxation	100,792	18,097			114,804
Taxation	(1,394)	511			(883)
Profit for the year	99,398	18,608			113,921
Assets					
Segment assets	263,710	103,880	(16,853)		350,737
Interest in an associate	–	–	7,583		7,583
Other investments	–	–	676		676
Cash and cash equivalents	258,721	20,248	21,311		300,280
Total assets	522,431	124,128			659,276
Liabilities					
Segment liabilities	91,021	74,961	(48,808)		117,174
Bank borrowing	2,976	–			2,976
Provision for taxation	744	–			744
Deferred tax liabilities	–	4,837			4,837
Total liabilities	94,741	79,798			125,731

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Total MYR'000
Year ended 31 December 2020				
Other information				
Additions to non-current assets	43,800	1,225	4,782	49,807
Depreciation and amortisation	4,043	3,543	2	7,588
Deferred income released	(52)	(274)		(326)
Gain on disposal of other investments	–	–	(569)	(569)
ECL allowance on trade receivables				
– addition	1,799	5,213		7,012
– reversal	(522)	(348)		(870)
Inventory written downs to net realisable value				
– addition	244	18		262
– reversal	(1,650)	(11)		(1,661)
Gain from changes in fair value of foreign currency forward contracts	(95)	(846)		(941)
Loss from changes in fair value of other investments	–	–	116	116
Unrealised loss/(gain) on foreign exchange	1,016	368	(528)	856
Provision for warranty				
– current year	545	102		647
– reversal	(816)	(50)		(866)
Property, plant and equipment written-off	5	220		225
Intangible assets written off	16	–		16

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	*Note*	Total MYR'000
Year ended 31 December 2019					
Revenue					
External customers	422,488	64,600			487,088
Inter-segment revenue	8,734	19,711	(28,445)	*(i)*	–
Total revenue	431,222	84,311			487,088
Results					
Segment results	128,758	8,334	(3,735)		133,357
Interest income	6,313	430			6,743
Interest expenses	(186)	–			(186)
Share of results of an associate	–	–	(734)		(734)
Profit before taxation	134,885	8,764			139,180
Taxation	(7,755)	(44)			(7,799)
Profit for the year	127,130	8,720			131,381
Assets					
Segment assets	189,301	101,690	(20,651)		270,340
Interest in an associate	–	–	4,062		4,062
Cash and cash equivalents	251,769	15,745	36,441		303,955
Total assets	441,070	117,435			578,357
Liabilities					
Segment liabilities	102,733	79,874	(53,877)		128,730
Bank borrowing	3,362	–			3,362
Provision for taxation	1,959	9			1,968
Deferred tax liabilities	–	5,374			5,374
Total liabilities	108,054	85,257			139,434

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Total MYR'000
Year ended 31 December 2019				
Other information				
Additions to non-current assets	19,875	33,494	523	53,892
Depreciation and amortisation	3,708	810	(82)	4,436
Deferred income released	(183)	(69)		(252)
Gain on disposal of property, plant and equipment	(96)	–	82	(14)
ECL allowance on trade receivables	997	2,022		3,019
Inventory written downs to net realisable value				
– addition	2,474	23		2,497
– reversal	(405)	(30)		(435)
Gain from changes in fair value of foreign currency forward contracts	(6,207)	(998)		(7,205)
Unrealised loss on foreign exchange	438	908	1,457	2,803
Provision for warranty				
– current year	816	50		866
– reversal	(667)	(69)		(736)
Property, plant and equipment written-off	2	1		3

Note to segment information:

(i) Inter-segment revenues are eliminated on consolidation.

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

Geographical Information

Revenue information based on the geographical location of customers are as follows:

	2020 MYR'000	2019 MYR'000
China	**112,673**	39,123
Singapore	**79,766**	257,512
United States	**52,492**	9,320
Malaysia	**49,711**	26,421
Taiwan	**49,256**	68,670
Japan	**39,794**	31,026
Republic of Ireland	**8,772**	18,653
Korea	**5,768**	399
Germany	**5,459**	8,126
Philippines	**4,796**	18,205
Others	**10,094**	9,633
	418,581	487,088

All non-current assets (other than financial instruments) of the Group are located in Malaysia.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out as below:

	2020 MYR'000	2019 MYR'000
Customer A[1]	**78,903**	256,121
Customer B[2]	**N/A**	50,886

1 Revenue from the Group's automated test equipment segment and factory automation solutions segment.

2 Revenue from the Group's automated test equipment segment. Revenue from this customer in current year did not exceed 10% of the Group's revenue.

N/A: Revenue from this customer during the respective year did not exceed 10% of the Group's revenue.

6. OTHER INCOME

	2020	2019
	MYR'000	MYR'000
Bank interest income	**5,912**	6,743
Deferred income released	**326**	252
Net gain on foreign exchange	**1,800**	–
Gain on disposal of property, plant and equipment	**–**	14
Gain from changes in fair value of foreign currency forward contracts	**941**	7,205
Gain on disposal of other investments	**569**	–
Government subsidies *(note)*	**629**	–
Rental income from operating leases	**77**	89
Others	**201**	29
	10,455	14,332

Note:

Funding support were received from the government of Malaysia under Enhanced Wage Subsidy Programme ("WSP") during the year ended 31 December 2020. The purpose of WSP is to support employers in their operations and to retain employees. There were no unfulfilled conditions or contingencies relating to these government grants.

7. EMPLOYEE BENEFITS EXPENSES (including directors' emoluments)

	2020	2019
	MYR'000	MYR'000
Salaries, allowances, commission and bonuses	**45,825**	58,108
Contribution to EPF	**6,196**	5,384
Employee insurance scheme	**47**	42
Social security organisation contribution	**586**	725
	52,654	64,259

8. FINANCE COSTS

	2020	2019
	MYR'000	MYR'000
Interests on bank borrowing	**117**	186

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2020 MYR'000	2019 MYR'000
Amortisation of intangible assets	3,148	755
Amortisation of leasehold land	145	145
Auditor's remuneration	484	476
Deferred income released	(326)	(252)
Depreciation of property, plant and equipment	4,295	3,536
ECL allowance on trade receivables		
– current year	7,012	3,019
– reversal	(870)	–
Gain from changes in fair value of foreign currency forward contracts	(941)	(7,205)
Gain on disposal of other investments	(569)	–
Gain on disposal of property, plant and equipment	–	(14)
Loss from changes in fair value of other investments	116	–
Inventory written downs to net realisable value		
– current year	262	2,497
– reversal	(1,661)	(435)
Net (gain)/loss on foreign exchange	(1,800)	5,370
Lease charges of short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16		
– Factory	179	64
– Hostel	776	783
– Office	90	89
Property, plant and equipment written off	225	3
Intangible assets written off	16	–
Provision for warranty		
– current year	647	866
– reversal	(866)	(736)

10. TAXATION

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Malaysian Income Tax has been provided at the statutory tax rate of 24% for the year ended 31 December 2020 (2019: 24%) on the estimated chargeable income arising in Malaysia.

10. TAXATION *(continued)*

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 **MYR'000**	2019 MYR'000
Malaysian income tax		
Current year	**(4,089)**	(7,730)
Over/(Under) provision in prior years	**2,693**	(58)
	(1,396)	(7,788)
Overseas income tax		
Current year	**(24)**	(11)
Deferred tax		
Current year	**537**	–
	(883)	(7,799)

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

	2020 **MYR'000**	2019 MYR'000
Profit before taxation	**114,804**	139,180
Income tax at Malaysian statutory tax rate	**(27,553)**	(33,403)
Share of results of an associate	**(289)**	(176)
Income not subject to tax	**1,490**	1,537
Exempt pioneer income *(note (i))*	**25,186**	24,569
Expenses not deductible for tax purposes	**(1,884)**	(3,229)
Difference in overseas profits tax rates	**1**	7
Deferred tax movement not recognised	**(904)**	1,880
Utilisation of unabsorbed tax losses and capital allowances	**377**	1,074
Over/(Under) provision in prior years	**2,693**	(58)
	(883)	(7,799)

10. TAXATION *(continued)*

Notes:

(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. The effective period of the relevant pioneer status is ten years starting from April 2016 subject to renewal before the fifth anniversary of its effective date.

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

	2020 MYR'000	2019 MYR'000
Depreciation allowance	**4,195**	1,527
Unabsorbed tax losses and capital allowances	**(2,369)**	(2,862)
Others	**(3,448)**	240
	(1,622)	(1,095)

(iii) The unabsorbed tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2025. From year of assessment 2018, the unabsorbed tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

The unabsorbed tax losses of the Group will expire in the following years of assessment ("YA"):

	2020 MYR'000	2019 MYR'000
YA 2025	**(9,654)**	(11,925)
YA 2027	**(54)**	–
	(9,708)	(11,925)

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

11.1 Directors' emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2020				
	Fees MYR'000	Salaries, allowances and benefits in kind MYR'000	Bonuses MYR'000	Contribution to EPF MYR'000	Total MYR'000
Executive directors:					
Chuah Choon Bin	43	1,978	–	400	2,421
Gan Pei Joo	43	714	–	148	905
Non-executive director:					
Leng Kean Yong	53	6	–	–	59
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	79	6	–	–	85
Chuah Jin Chong	79	4	–	–	83
Chan May May	79	5	–	–	84
	376	2,713	–	548	3,637

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(continued)*

11.1 Directors' emoluments *(continued)*

	Year ended 31 December 2019				
	Fees MYR'000	Salaries, allowances and benefits in kind MYR'000	Bonuses MYR'000	Contribution to EPF MYR'000	Total MYR'000
Executive directors:					
Chuah Choon Bin	38	1,982	600	369	2,989
Gan Pei Joo	38	664	66	134	902
Non-executive director:					
Leng Kean Yong	101	5	–	–	106
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	70	5	–	–	75
Chuah Jin Chong	70	4	–	–	74
Chan May May	70	5	–	–	75
	387	2,665	666	503	4,221

Note: Chuah Choon Bin is also the Group's chairman.

The emoluments shown above represents emoluments received and receivable from the Group by these directors in their capacity as employees/directors of the Company and subsidiaries during the years ended 31 December 2020 and 2019.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(continued)*

11.2 Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 included two (2019: two) director(s) whose emoluments are disclosed in note 11.1. The aggregate of the emoluments in respect of the remaining three (2019: three) individuals are as follows:

	2020	2019
	MYR'000	MYR'000
Salaries, allowances and benefits in kind	**1,247**	1,395
Bonuses	**359**	190
Contribution to EPF	**216**	182
	1,822	1,767

The above individuals' emoluments are within the following bands:

	Number of individuals	
	2020	2019
Emolument bands:		
HK$1,000,001 – HK$1,200,000	**3**	3
Nil – HK$1,000,000	**–**	–
	3	3

No director or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2020 (2019: Nil). No director or the five highest paid individual has waived or agreed to waive any emolument during the year ended 31 December 2020 (2019: Nil).

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2020 MYR'000	2019 MYR'000
Earnings		
Profit for the year attributable to owners of the Company	**113,921**	131,381
Number of shares		
Weighted average number of ordinary shares	**1,600,000,000**	1,600,000,000

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of MYR113,921,000 (2019: MYR131,381,000) and 1,600,000,000 ordinary shares in issue during the year ended 31 December 2020 (2019: 1,600,000,000).

There were no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019 and therefore, diluted earnings per share equals to basic earnings per share.

13. DIVIDENDS

(a) Dividends attributable to the year:

	2020 MYR'000	2019 MYR'000
Proposed final dividend of HK$0.02 per ordinary share (2019: HK$0.015 per ordinary share)	**16,672**	13,032

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2020.

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2020 MYR'000	2019 MYR'000
Final dividend in respect of the previous financial year, of HK$0.015 per ordinary share (2019: HK$0.015)	**13,450**	12,837

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land MYR'000	Machineries and equipment MYR'000	Furniture, fittings and office equipment MYR'000	Computers MYR'000	Electrical installation MYR'000	Motor vehicles MYR'000	Construction in progress MYR'000	Total MYR'000
As at 1 January 2019	70,253	12,677	1,169	3,382	2,412	1,130	25	91,048
Acquisition of a subsidiary *(note 39)*	–	2,974	15	412	237	–	–	3,638
Additions	1,924	450	224	1,017	35	74	10,242	13,966
Disposals	–	–	–	–	–	(70)	–	(70)
Written off	–	(921)	(361)	(196)	–	–	–	(1,478)
Transfer during the year	9,642	120	485	–	20	–	(10,267)	–
As at 31 December 2019	81,819	15,300	1,532	4,615	2,704	1,134	–	107,104
As at 1 January 2020	81,819	15,300	1,532	4,615	2,704	1,134	–	107,104
Additions	–	417	15	795	–	74	39,545	40,846
Written off	–	(678)	(317)	(129)	(256)	–	–	(1,380)
Transfer during the year	4,145	–	–	–	–	–	(4,145)	–
As at 31 December 2020	**85,964**	**15,039**	**1,230**	**5,281**	**2,448**	**1,208**	**35,400**	**146,570**
Accumulated depreciation								
As at 1 January 2019	11,140	10,490	702	1,796	2,305	581	–	27,014
Current charge	1,240	900	160	979	28	229	–	3,536
Disposals	–	–	–	–	–	(59)	–	(59)
Written off	–	(920)	(360)	(195)	–	–	–	(1,475)
As at 31 December 2019	12,380	10,470	502	2,580	2,333	751	–	29,016
As at 1 January 2020	12,380	10,470	502	2,580	2,333	751	–	29,016
Current charge	1,447	1,113	252	1,221	51	211	–	4,295
Written off	–	(659)	(307)	(126)	(63)	–	–	(1,155)
As at 31 December 2020	**13,827**	**10,924**	**447**	**3,675**	**2,321**	**962**	**–**	**32,156**
Carrying amount								
As at 31 December 2020	**72,137**	**4,115**	**783**	**1,606**	**127**	**246**	**35,400**	**114,414**
As at 31 December 2019	69,439	4,830	1,030	2,035	371	383	–	78,088

15. LEASEHOLD LAND

	2020 MYR'000	2019 MYR'000
Cost		
At the beginning and the end of the year	**8,705**	8,705
Accumulated amortisation		
At the beginning of the year	**1,229**	1,084
Current charge	**145**	145
At the end of the year	**1,374**	1,229
Carrying amount at the end of the year	**7,331**	7,476

As at 31 December 2020, the Group's leasehold land of MYR4,827,000 (2019: MYR4,911,000) has been pledged to secure a bank loan. Details of the secured bank borrowing is set out in note 31.

16. GOODWILL

The Group's goodwill arose from business combinations in connection with the acquisition of TP Concept in 2019. The net carrying amount of goodwill can be analysed as follows:

	2020	2019
	MYR'000	MYR'000
At the beginning of year	**4,495**	–
Acquisition of a subsidiary *(note 39)*	**–**	4,495
Impairment losses	**–**	–
Net carrying amount at 31 December	**4,495**	4,495

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

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

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

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

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount of the Group's unit of factory automation solutions – medical devices is particularly sensitive to the discount rate applied. The impact from a reasonable change in the discount rate is assessed in note 4.2 together with other critical accounting estimates and assumptions.

17. INTANGIBLE ASSETS

	2020	2019
	MYR'000	MYR'000
Development expenditure *(note 17.1)*	**10,684**	7,483
Computer software *(note 17.2)*	**1,220**	1,109
Technical know-how *(note 17.3)*	**20,154**	22,393
Carrying amount at the end of the year	**32,058**	30,985

17. INTANGIBLE ASSETS *(continued)*

17.1 Development expenditure

	2020 MYR'000	2019 MYR'000
Cost		
Balance at the beginning of the year	**27,333**	20,133
Additions	**3,266**	7,200
Balance at the end of the year	**30,599**	27,333
Accumulated amortisation		
Balance at the beginning of the year	**16,260**	16,260
Current charge	**65**	–
Balance at the end of the year	**16,325**	16,260
Impairment loss	**3,590**	3,590
Carrying amount at the end of the year	**10,684**	7,483

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

17. INTANGIBLE ASSETS *(continued)*

17.2 Computer software

	2020 MYR'000	2019 MYR'000
Cost		
Balance at the beginning of the year	**4,869**	4,909
Additions	**971**	450
Written off	**(2,341)**	(490)
Balance at the end of the year	**3,499**	4,869
Accumulated amortisation		
Balance at the beginning of the year	**3,760**	3,495
Current charge	**844**	755
Written off	**(2,325)**	(490)
Balance at the end of the year	**2,279**	3,760
Carrying amount at the end of the year	**1,220**	1,109

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

17.3 Technical know-how

	2020 MYR'000	2019 MYR'000
Cost		
Balance at the beginning of the year	**22,393**	–
Acquisition of a subsidiary *(note 39)*	**–**	22,393
Balance at the end of the year	**22,393**	22,393
Accumulated amortisation		
Balance at the beginning of the year	**–**	–
Current charge	**2,239**	–
Balance at the end of the year	**2,239**	–
Impairment loss	**–**	–
Carrying amount at the end of the year	**20,154**	22,393

17. INTANGIBLE ASSETS *(continued)*

17.3 Technical know-how *(continued)*

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

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

18. INTERESTS IN SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY

(a) Particulars of the subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and paid up capital	Percentage of ownership interests attributable to the Company		Principal activities
			2020	2019	
Directly held					
Pentamaster Technology (M) Sdn. Bhd. ("Pentamaster Technology")	Malaysia	MYR4.3 million comprising 2,400,000 shares	**100%**	100%	Design, manufacturing and installation of computerised automation systems and equipment
Pentamaster Instrumentation Sdn. Bhd. ("Pentamaster Instrumentation")	Malaysia	MYR0.3 million comprising 300,000 shares	**100%**	100%	Design and manufacturing of automated testing equipment and test and measurement system
Pentamaster Equipment Manufacturing Sdn. Bhd. ("Pentamaster Equipment")	Malaysia	MYR13.16 million comprising 13,160,000 shares	**100%**	100%	Equipment design and manufacturing services and the manufacturing of high precision machine parts
Pentamaster MediQ Sdn. Bhd. (Note 1)	Malaysia	MYR 1,800,000 comprising 1,800,000 shares	**100%**	N/A	Designing and manufacturing of single-use medical devices, medical equipment and related instruments
Indirectly held through Pentamaster Equipment					
Pentamaster Equipment Manufacturing, Inc.	United States of America	USD0.01 million comprising 1,000 shares	**100%**	100%	Providing of sales and support services
TP Concept Sdn. Bhd. ("TP Concept") (Note 2)	Malaysia	MYR0.25 million comprising 250,000 shares	**100%**	100%	Manufacturing and assembling of medical machines and manufacturing of die casting parts

18. INTERESTS IN SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY *(continued)*

Notes:

1. Newly incorporated during the year ended 31 December 2020.

2. Newly acquired during the year ended 31 December 2019 and refer to note 39 for details.

(b) The Group controls a structured entity which operates in Malaysia, particulars of which are as follows:

Name of structured entity	Place of incorporation/ operations	Issued and paid up capital	Percentage of ownership interests attributable to the Company		Principal activities
			2020	2019	
Directly held					
PIL – PERKERJA SS LIMITED ("PILPSS") *(Note)*	the British Virgin Islands	USD2 comprising 2 shares	**100%**	N/A	Purchases, administers and holds the Company shares for the share award scheme for the benefit of the Group's eligible employees

Note:

PILPSS is newly incorporated during the year ended 31 December 2020 for the purpose of purchasing, administering and holding Company's shares for the share award scheme,. The Company has the power to direct the relevant activities of PILPSS and it has the ability to use its power over the PILPSS to affect its exposure to returns. Therefore, the assets and liabilities of PILPSS are included in the consolidated and company statements of financial position and the Company's shares it held are presented as a deduction in equity as shares held for share award scheme.

19. INTEREST IN AN ASSOCIATE

	2020	2019
	MYR'000	MYR'000
Cost of investment	**6,624**	4,900
Share of post-acquisition results and other comprehensive income	**(2,041)**	(838)
	4,583	4,062
Investment in redeemable convertible preference shares ("RCPS") (note)	**3,000**	–
	7,583	4,062

Details of the Group's interest in an associate, which is unlisted corporate entity, are as follows:

Name of associate	**Place of incorporation/ operations**	**Issued and paid up capital**	**Attributable equity interest held by the Group**		**Principal activities**
			2020	2019	
Penang Automation Cluster Sdn. Bhd. ("PAC")	Malaysia	MYR16.56 million comprising 16,560,000 shares (2019: MYR14 million comprising 14,000,000 shares)	**40%**	35%	Providing value added engineering development and technical training to the 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

Note:

During the year ended 31 December 2020, the Group invested MYR3 million in consideration for PCPS of PAC.

The RCPS is convertible at the option of PAC at the issue prince of MYR1 per RCPS at any time after the issuance date, i.e. 29 December 2020 and up to Maturity Date, i.e. 28 December 2030. The Group did not have any voting rights from RCPS and only have right to receive non-cumulative dividends at rate of 1.5% per annum based on issue price subject to PAC achieving a profit after tax of MYR2,000,000. In the event of liquidation of PAC, the Group ranks in priority to other classes of shares in PAC.

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

19. INTEREST IN AN ASSOCIATE *(continued)*

The Group directly invested in PAC together with two Independent Third Parties in early 2017. During the year ended 31 December 2020, PAC effected an increase in registered capital whereby the Group and another investor injected additional capital to PAC amounting to MYR1,724,000 and MYR836,000, respectively. Upon the completion date, the registered capital of PAC increased from MYR14,000,000 in 2019 to MYR16,560,000 in 2020. The proportion of ownership interests held by the Group increased from 35% in 2019 to 40% in 2020.

PAC is a strategic partner to build and manage the local 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 test equipment supporting various industries globally. PAC commenced operations in October 2019. Having considered the net asset position and income generating potential of PAC, the directors are of the opinion that there is no indication of impairment.

Set out below are the summarised financial information of PAC which is accounted for using the equity method:

	2020 **MYR'000**	2019 MYR'000
Non-current assets	**40,396**	41,070
Current assets	**8,605**	1,990
Non-current liabilities	**(914)**	–
Current liabilities	**(30,853)**	(31,461)
Non-controlling interest	**(277)**	–
Net assets	**16,957**	11,599
Revenue	**5,115**	344
Loss for the year and total comprehensive loss for the year *(note)*	**(3,203)**	(2,097)
Dividends received from the associate	**–**	–

Note: The Group shared 35% of loss amounting to MYR1,562,000 for period from January to May 2020 and 40% of loss amounting to MYR1,641,000 for period from June to December 2020.

A reconciliation of the above summarised financial information to the carrying amount of the Group's interest in PAC is set out below:

	2020 **MYR'000**	2019 MYR'000
Net assets of PAC	**16,957**	11,599
Proportion of ownership interests held by the Group	**40%**	35%
	6,783	4,059
Adjustment *(note)*	**(2,400)**	–
Goodwill	**200**	3
Carrying amount of the Group's interest in an associate	**4,583**	4,062

Note: Adjustment represented the Group's contribution to PAC which is not in proportion to equity interest shared by the Group.

20. INVENTORIES

	2020	2019
	MYR'000	MYR'000
Raw material	**2,939**	2,356
Work-in-progress	**28,700**	56,459
Finished goods	**2,197**	643
	33,836	59,458

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020	2019
	MYR'000	MYR'000
Cost of inventories recognised as cost of sales, including:	**279,587**	305,972
– write down to net realisable value	**262**	2,497
– reversal of write down to net realisable value	**(1,661)**	(435)

The reversal of inventory written downs was made when the related inventories were sold above their carrying amounts.

21. TRADE RECEIVABLES

	2020	2019
	MYR'000	MYR'000
Trade receivables	**149,057**	64,711
Less: ECL allowance	**(9,161)**	(3,019)
	139,896	61,692

21. TRADE RECEIVABLES *(continued)*

The normal credit terms granted to trade receivables range from 0 to 90 days. Based on the invoice date, the ageing analysis of the trade receivables, net of ECL allowance, was as follows:

	2020 **MYR'000**	2019 MYR'000
0-30 days	**58,075**	18,147
31-60 days	**13,888**	11,668
61-90 days	**4,900**	6,654
91-180 days	**37,711**	10,336
181 to 270 days	**13,544**	4,720
Over 270 days	**11,778**	10,167
	139,896	61,692

The movement in the ECL allowance of trade receivables is as follows:

	2020 **MYR'000**	2019 MYR'000
Balance at the beginning of the year	**3,019**	–
ECL allowance	**7,012**	3,019
Reversal of ECL allowance	**(870)**	–
Balance at the end of the year	**9,161**	3,019

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 **MYR'000**	2019 MYR'000
Other receivables	**22**	20
Refundable deposits	**12,219**	23,106
Non-refundable deposits *(note (i))*	**1,533**	1,738
Prepayments	**395**	490
GST claimable	**–**	360
	14,169	25,714
Less: non-current portion		
Deposits *(note (ii))*	**(10,609)**	(21,461)
Current portion	**3,560**	4,253

Notes:

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

(ii) The balance represented a potential investment in a manufacturing company in Taiwan, which is subject to certain conditions.

23. DERIVATIVE FINANCIAL ASSETS

The Group enters into foreign currency forward contracts to manage its exposure to sales and purchases transactions that are denominated in foreign currencies. Foreign currency forward contracts are recognised as derivatives, categorised as fair value through profit or loss and are measured at their fair values with gains or losses recognised in the profit or loss. The foreign currency forward contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting. The fair value of these contracts has been measured as described in note 40.6.

As at 31 December 2020

Notional amount	Settlement date	Term	Forward rate
US$16,600,000	24 February 2021 to 7 September 2021	360 to 370 days	MYR4.16 – 4.31/US$

As at 31 December 2019

Notional amount	Settlement date	Term	Forward rate
US$21,500,000	19 March to 27 August 2020	226 to 366 days	MYR4.20 – 4.24/US$

24. OTHER INVESTMENTS

	2020 MYR'000	2019 MYR'000
Financial assets at fair value through profit or loss		
– Equity securities listed in Malaysia	**426**	–
Financial asset measured at amortised cost		
– Promissory note	**250**	–
	676	–

Notes:

(i) The fair value of the Group's investments in listed securities has been measured as described in note 40.6.

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

The promissory note is subject to credit risk. Information on the Group's exposure to credit risk is described in note 40.2.

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

25. CASH AND CASH EQUIVALENTS

	2020	2019
	MYR'000	MYR'000
Cash and bank balances	**65,646**	95,113
Short-term investment *(note)*	**234,634**	208,842
	300,280	303,955

Note:

The effective interest rate for the short-term investment are from 1.8% to 3.52% (2019: 3.12% to 3.70%) per annum and can be redeemed at any time upon notice given to the financial institution. The short-term investment represents investment in unit trusts. The unit trusts invest in a mixture of money market instruments and fixed deposits with different maturity period.

26. SHARE CAPITAL

	2020		2019	
	Number of shares	**MYR'000**	Number of shares	MYR'000
Authorised:				
Ordinary shares of HK$0.01 each as at 1 January and 31 December	**5,000,000,000**	**26,052**	5,000,000,000	26,052
Issued and fully paid:				
As at 1 January and 31 December	**1,600,000,000**	**8,054**	1,600,000,000	8,054

27. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group as at 31 December 2020 and 2019 represents (a) the difference between the share capital of subsidiaries acquired by the Company and the nominal value of the Company's share issued for the acquisition under the Reorganisation, (b) the waiver of the amount due to ultimate holding company of MYR21,690,000 during the year ended 31 December 2014 as deemed contribution from ultimate holding company and (c) the proportionate of the carrying amount of the net assets of Pentamaster Instrumentation when PCB acquired its additional 40% interest in June 2017.

Retained profits

Retained profits represent accumulated net profit or losses less dividends paid.

28. TRADE PAYABLES

The normal credit terms granted by trade payables range from 30 to 180 days (2019: 30 to 150 days). Based on the invoice date, the ageing analysis of the trade payables was as follows:

	2020 **MYR'000**	2019 MYR'000
0-30 days	**29,211**	17,422
31-60 days	**22,880**	9,556
61-90 days	**6,681**	3,752
91-120 days	**1,791**	403
Over 120 days	**2,108**	345
	62,671	31,478

Included in trade payables were amounts due to the Group's associate of MYR119,000 (2019: MYR 87,000). The outstanding balances were trading in nature and had credit period of 90 days (2019: 90 days). See note 38(b) for details of these transactions.

29. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	2020	2019
	MYR'000	MYR'000
Other payables	**3,143**	1,610
Amounts due to former shareholders of a subsidiary *(note (i))*	**5,500**	5,500
Consideration payables related to acquisition of a subsidiary *(note (ii))*	**11,393**	11,393
Accruals	**16,597**	26,252
Provision for warranty	**647**	866
	37,280	45,621
Less: non-current portion		
Consideration payables related to acquisition of a subsidiary *(note (ii))*	**–**	(5,598)
Current portion	**37,280**	40,023

Notes:

(i) The amounts due are unsecured, interest free and repayable on demand. The carrying amounts of the amounts due are considered reasonable approximation of their fair values.

(ii) The consideration payable referred to the balance sum of the consideration payable to the outgoing vendors of a subsidiary acquired in 2019 (note 39). The consideration is payable subject to the subsidiary achieving certain performance milestones.

30. CONTRACT LIABILITIES

	2020	2019
	MYR'000	MYR'000
Contract liabilities arising from receiving deposits of manufacturing orders	**15,471**	49,559

Notes:

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract. The deposit will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

All deposits received are expected to be settled within one year.

Contract liabilities outstanding at the beginning of the year amounting to MYR49,035,000 (2019: MYR82,892,000) have been recognised as revenue during the year.

31. BANK BORROWING

As at 31 December 2020 and 2019, the Group's bank borrowing contains a repayable on demand clause and is shown under current liabilities. The carrying amount of bank borrowing is considered to be a reasonable approximate of its fair value. As at 31 December 2020 and 2019, the Group's bank borrowing, based on the scheduled repayment dates set out in the loan agreements, is repayable as follows:

	2020	2019
	MYR'000	MYR'000
Within one year	**411**	358
In the second year	**425**	374
In the third to fifth year	**1,362**	1,230
After the fifth year	**778**	1,400
	2,976	3,362

Note:

As at 31 December 2020 and 2019, the bank borrowing is secured, repayable by monthly instalments with terms of 10 years and bears interest at floating rate. The bank borrowing is denominated in MYR, with effective interest rate of 3.30% (2019: 4.55%) per annum. The bank borrowing is secured by the leasehold land of the Group (note 15) and corporate guarantee provided by the Company up to a limit of MYR4,500,000 (2019: MYR4,500,000).

Further details of the Group's management of interest rate risk were set out in note 40.4.

The Group's banking facilities are subject to the fulfilment of covenants as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. In addition, the bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

32. DEFERRED INCOME

	2020	2019
	MYR'000	MYR'000
Balance at the beginning of the year	**2,072**	288
Acquisition of a subsidiary *(note 39)*	**–**	2,036
Released to profit or loss	**(326)**	(252)
Balance at the end of the year	**1,746**	2,072

Deferred income represents government grants received by certain subsidiaries for reimbursements of capital expenditure spent on modernisation and upgrading of specified machineries and equipment. Deferred income is released to profit or loss over the periods to match the related cost which the grants are intended to compensate, on a systematic basis. There are no unfulfilled conditions or contingencies relating to the grants.

33. DEFERRED TAX LIABILITIES

The movement during the year in the deferred tax liabilities is as follows:

	2020 **MYR'000**	2019 MYR'000
At 1 January	**5,374**	–
Acquisition of a subsidiary *(note 39)*	**–**	5,374
Recognised in profit or loss	**(537)**	–
At 31 December	**4,837**	5,374

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

	2020 **MYR'000**	2019 MYR'000
At 1 January	**5,374**	–
Acquisition of a subsidiary *(note 39)*	**–**	5,374
Recognised in profit or loss	**(537)**	–
At 31 December	**4,837**	5,374

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities are as follows:

	Amount due (to)/from ultimate holding company MYR'000	**Bank borrowing MYR'000**	**Finance lease liabilities MYR'000**	**Total MYR'000**
As at 1 January 2020	**(2)**	**3,362**	**–**	**3,360**
Cash flows	**2**	**(386)**	**–**	**(384)**
As at 31 December 2020	**–**	**2,976**	**–**	**2,976**
As at 1 January 2019	8,207	3,680	36	11,923
Cash flows	(8,209)	(318)	(36)	(8,563)
As at 31 December 2019	(2)	3,362	–	3,360

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 MYR'000	2019 MYR'000
ASSETS			
Non-current asset			
Interests in subsidiaries		**88,576**	86,776
Current assets			
Other receivable and prepayment		**388**	119
Amounts due from subsidiaries		**28,081**	33,495
Cash and cash equivalents		**19,645**	36,442
		48,114	70,056
Total assets		**136,690**	156,832
EQUITY AND LIABILITIES			
Share capital	*26*	**8,054**	8,054
Reserves *(note)*		**128,239**	148,391
Total equity		**136,293**	156,445
LIABILITIES			
Current liabilities			
Accruals		**397**	387
Total liabilities		**397**	387
Total equity and liabilities		**136,690**	156,832

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

The movements of the Company's reserves are as follows:

	Shares held for share award scheme MYR'000 *(note 36)*	Share premium MYR'000 *(note 27)*	Capital reserves MYR'000 *(note 27)*	Accumulated losses MYR'000 *(note 27)*	Proposed final dividend MYR'000 *(note 13)*	Total MYR'000
As at 1 January 2019	–	84,936	86,776	(19,181)	12,433	164,964
Loss and total comprehensive loss for the year	–	–	–	(3,736)	–	(3,736)
2018 final dividends declared *(note 13)*	–	–	–	(404)	(12,433)	(12,837)
2019 final dividends proposed *(note 13)*	–	–	–	(13,032)	13,032	–
As at 31 December 2019 and 1 January 2020	–	84,936	86,776	(36,353)	13,032	148,391
Purchase of shares for share award scheme *(note 36)*	(5,849)	–	–	–	–	(5,849)
Transactions with owners	(5,849)	–	–	–	–	(5,849)
Loss and total comprehensive loss for the year	–	–	–	(853)	–	(853)
2019 final dividends declared *(note 13)*	–	–	–	(418)	(13,032)	(13,450)
2020 final dividends proposed *(note 13)*	–	–	–	(16,672)	16,672	–
As at 31 December 2020	**(5,849)**	**84,936**	**86,776**	**(54,296)**	**16,672**	**128,239**

Gan Pei Joo
Director

Chuah Choon Bin
Director

36. SHARE AWARD SCHEME

On 1 April 2020, the Company adopted a share award scheme (the "Scheme") in which the Group's employees will be entitled to participate.

The purpose of the Scheme is to recognise the contributions by certain employees and to incentivise them to achieve the Group's long-term business goals and objectives. The Scheme also serves as part of the Group's employee retention program in retaining its existing employees and to attract suitable personnel for further development of the Group.

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

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

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

37. CAPITAL COMMITMENT

	2020 **MYR'000**	2019 MYR'000
Contracted but not provided for		
– Property, plant and equipment	**706**	11,976
– Investment in an associate	**15,000**	–
	15,706	11,976

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Names and relationship

Name of related party	Relationship with the Group
PCB	Ultimate holding company
PAC	Associate
Pentamaster Smart Solution Sdn. Bhd. ("Pentamaster Smart Solution")	Entity controlled by the ultimate holding company

(b) Related party transactions

	2020	2019
	MYR'000	MYR'000
Purchase from:		
– Pentamaster Smart Solution	**5**	84
– PAC	**–**	186
Rental income from:		
– Pentamaster Smart Solution	**42**	53
– PCB	**35**	36

The related party transactions were conducted in the normal course of business and at prices and terms no less than those charged to and conducted with other third parties of the Group.

38. RELATED PARTY TRANSACTIONS *(continued)*

(c) 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, directly or indirectly. The remuneration of key management personnel during the financial year is as follows:

	2020 **MYR'000**	2019 MYR'000
Employees' salaries, allowances and bonuses	**9,177**	8,179
Contribution to EPF	**1,337**	831
	10,514	9,010

(d) Balances with related parties

	2020 **MYR'000**	2019 MYR'000
Amount due (to)/from a fellow subsidiary:		
Trade nature:		
– Pentamaster Smart Solution	**(6)**	6
Amount due from ultimate holding company:		
Non-trade nature:		
– PCB	**–**	2

The amounts due to related parties are unsecured, interest-free and repayable on demand except the balances in trade nature which are repayable on normal trade terms and aged within 90 days base on the invoice date.

39. ACQUISITION OF A SUBSIDIARY

Subsidiary acquired

2019	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred MYR'000
TP Concept	Manufacturing and assembling of medical machines and manufacturing of die casting parts	27 September 2019	100%	20,393

TP Concept was acquired to continue the expansion of the Group's factory automation solutions operations.

Consideration transferred

	2019 MYR'000
Cash	**9,000**
Consideration payables	**11,393**

Acquisition-related costs amounting to MYR31,000 have been excluded from the consideration transferred and have been recognised as other expenses in the consolidated statement of profit or loss and other comprehensive income.

Profit guarantee at the date of acquisition

Pursuant to the sale and purchase agreement, all existing shareholders of TP Concept ("Vendors ") jointly and severally warrant that the aggregate profit before tax ("PBT") in respect of TP Concept for year ended 31 March 2020 ("FYE 2020") and year ended 31 March 2021 ("FYE 2021") shall not be less than MYR12,000,000 ("Aggregate Profit Guarantee"). They shall be liable to pay the shortfall to the Group if the aggregate profit guarantee is not achieved.

The Profit Guarantee Shortfall shall be calculated as follows:

Profit Guarantee Shortfall = Aggregate Profit Guarantee – PBT for FYE 2020 and FYE 2021

Details of the investment agreement were set out in the Group's announcement dated 26 September 2019.

Given the unprecedented pandemic event of COVID-19 that has impacted the global economies, TP has faced difficulties in meeting the aggregate profit guarantee. PQ and the vendors have entered into a supplemental share sale agreement on 25 February 2021 to extend the profit guarantee period for vendors to fulfill the aggregate profit guarantee. Details of the supplemental share sale agreement set out in the Group's announcement dated 25 February 2021 and note 42.

The Directors of the Group consider the fair value of the contingent consideration receivable arising from the profit guarantee as at the acquisition date and at 31 December 2020 was insignificant by reference to a cash flow forecast prepared by the Directors.

39. ACQUISITION OF A SUBSIDIARY *(continued)*

Assets acquired and liabilities recognised at the date of acquisition

	2019 MYR'000
Property, plant and equipment	3,638
Intangible assets	22,393
Inventories	18,803
Trade and other receivables	11,484
Cash and cash equivalents	(6,379)
Trade and other payables	(26,631)
Deferred income	(2,036)
Deferred tax liabilities	(5,374)
	15,898

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of MYR11,484,000 had gross contractual amounts of MYR11,484,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected are MYR11,484,000.

Goodwill arising on acquisition

	2019 MYR'000
Consideration transferred/payable	20,393
Fair value of identifiable net assets acquired	(15,898)
Goodwill arising on acquisition	4,495

Goodwill arose in the acquisition of TP Concept as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of TP Concept. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

39. ACQUISITION OF A SUBSIDIARY *(continued)*

Net cash outflow on acquisition of a subsidiary

	2019 MYR'000
Consideration paid in cash	**(9,000)**
Cash and cash equivalent acquired	**(6,379)**
	(15,379)

Impact of acquisition on the results of the Group

Included in the profit for the year is loss of MYR684,000 attributable to the additional business generated by TP Concept. Revenue for the year includes MYR7,200,000 in respect of TP Concept.

If the acquisition had occurred on 1 January 2019, the Group's revenue would have been MYR501,287,000 and profit for the year would have been MYR137,414,000 for the year ended 31 December 2019. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to a variety of financial risks arising from their operations. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative activities.

40.1 Categories of financial assets and liabilities

	2020 MYR'000	2019 MYR'000
Financial assets		
Financial assets at FVTPL		
– Investment in RCPS	**3,000**	–
– Derivative financial assets	**3,336**	2,395
– Equity securities listed in Malaysia	**426**	–
Financial assets at amortised cost		
– Trade receivables	**139,896**	61,692
– Other receivables and deposits	**12,241**	23,126
– Amount due from ultimate holding company	**–**	2
– Amount due from a fellow subsidiary	**–**	6
– Promissory note	**250**	–
– Cash and cash equivalents	**300,280**	303,955
	459,429	391,176
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade payables	**62,671**	31,478
– Other payables, accruals and provisions	**36,633**	44,755
– Amount due to a fellow subsidiary	**6**	–
– Bank borrowing	**2,976**	3,362
	102,286	79,595

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

40.2 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables.

The maximum exposure to credit risk on recognised financial assets is limited to the carrying amounts as summarised in note 40.1. The maximum exposure as at 31 December 2020 is the carrying amount of these instruments.

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

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

In addition, as set out in note 2.12, the Group assesses ECL under IFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 5 years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19.

The Group applies the IFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables using a provision matrix. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is ranged from 0.00% to 0.00%, past due between 0 to 30 days is ranged from 0.32% to 0.94%, past due between 31 to 90 days is ranged from 0.00% to 0.71%, past due between 91 to 365 days is ranged from 0.00% to 0.64% and past due more than 365 days is ranged from 50% to 100%. ECL allowance for the year is MYR7,012,000 (2019: MYR3,019,000).

Management considers that the loss allowance inherent in the Group's outstanding trade receivables within one year are not significant while loss allowance was made in full on the Group's outstanding trade receivables over one year except for customers with good credit quality after considering their historical settlement record, credit quality and financial position.

It is inherent in the Group's business to make individually large sales to its customers that may lead to significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with a reliable financial profile. As at 31 December 2020, 6% (2019: 26%) of the total trade receivables were due from the Group's largest customer and 34% (2019: 43%) of the total trade receivables were due from the five largest customers of the Group respectively.

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

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

40.2 Credit risk *(continued)*

Other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from ultimate holding company and a fellow subsidiary, other receivables, promissory note and cash and cash equivalent. In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables and promissory note since initial recognition as the risk of default is low and the outstanding balance is insignificant after considering the factors as set out in note 2.12 and, thus, no ECL is recognised based on 12-month ECL.

The credit risks on pledged time deposits and cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The credit risk for liquid funds is considered negligible as the counterparties are reputable international banks with high quality external credit ratings.

40.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group actively manages 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 aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by maintaining credit facilities with its banker.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2020 and 2019, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group can be required to pay. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

Specifically, for bank borrowing, which contain a repayment on demand clause, which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

40.3 Liquidity risk *(continued)*

	Within 1 year or on demand MYR'000	**Over 1 year but within 5 years MYR'000**	**Over 5 years MYR'000**	**Total undiscounted amount MYR'000**	**Carrying amount MYR'000**
As at 31 December 2020					
Non-derivative financial liabilities					
Trade payables	**62,671**	**–**	**–**	**62,671**	**62,671**
Other payables and accruals	**36,633**	**–**	**–**	**36,633**	**36,633**
Amount due to a fellow subsidiary	**6**	**–**	**–**	**6**	**6**
Bank borrowing	**2,976**	**–**	**–**	**2,976**	**2,976**
	102,286	**–**	**–**	**102,286**	**102,286**

	Within 1 year or on demand MYR'000	Over 1 year but within 5 years MYR'000	Over 5 years MYR'000	Total undiscounted amount MYR'000	Carrying amount MYR'000
As at 31 December 2019					
Non-derivative financial liabilities					
Trade payables	31,478	–	–	31,478	31,478
Other payables and accruals	39,157	6,000	–	45,157	44,755
Bank borrowing	3,362	–	–	3,362	3,362
	73,997	6,000	–	79,997	79,595

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

40.3 Liquidity risk *(continued)*

The following table summarises the maturity analysis of bank borrowing with repayment on demand clause based on agreed scheduled repayments set out in the bank loan agreement. The amounts include interest payment computed using contractual rates. The Group regularly monitors its compliance with the loan covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. The directors believe that this bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the bank loan agreement.

	Within 1 year or on demand MYR'000	Over 1 year but within 5 years MYR'000	Over 5 years MYR'000	Total MYR'000
As at 31 December 2020				
Bank borrowing	**503**	**2,015**	**798**	**3,316**
As at 31 December 2019				
Bank borrowing	503	2,013	1,499	4,015

40.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's fixed rate promissory note are exposed to a risk of change in their fair value due to changes in interest rates. Bank borrowing bearing variable rates exposes the Group to cash flow interest rate risk. As at 31 December 2020, the exposure to interest rates for the Group's bank borrowing is considered immaterial.

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

	2020 MYR'000	2019 MYR'000
Variable rate instruments		
Financial liabilities	**2,976**	3,362
Fixed rate instruments		
Financial assets	**250**	–

The Group does not account for any fixed rate financial assets and financial liabilities at FVTPL, 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.

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

40.5 Foreign currency exchange risk

The Group is exposed to foreign currency risk as a result of its normal trading activities whereby sales and purchases are principally transacted in US Dollar ("US$"). The Group also holds investments and other financial assets and liabilities denominated in foreign currencies. These are not the functional currencies of the Group entities to which transactions relate.

The Group mitigates the exposure of this risk by maintaining US$ denominated bank accounts and enters into foreign currency forward contracts.

Foreign currency denominated financial assets and liabilities, translated into MYR at the closing rates, are as follows:

	US$	Euro	Singapore Dollar	Chinese Renminbi ("RMB")	Hong Kong Dollar ("HK$")
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
As at 31 December 2020					
Trade receivables	**113,056**	**294**	**289**	**9,866**	**–**
Cash and cash equivalents	**7,750**	**451**	**623**	**544**	**19,623**
Trade payables	**(15,468)**	**(287)**	**(745)**	**(33)**	**–**
Net exposure	**105,338**	**458**	**167**	**10,377**	**19,623**
As at 31 December 2019					
Trade receivables	45,739	–	313	7,179	–
Cash and cash equivalents	5,122	33	296	284	36,433
Trade payables	(2,016)	(20)	(184)	(54)	–
Net exposure	48,845	13	425	7,409	36,433

The Group is mainly exposed to the effects of fluctuation in US$, RMB and HK$.

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

40.5 Foreign currency exchange risk *(continued)*

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity in regard to an appreciation in the Group entities' functional currencies against US$, RMB and HK$. These sensitivity rates represent the management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit MYR'000	Decrease in equity MYR'000
As at 31 December 2020			
US$	**8%**	**6,405**	**6,405**
RMB	**6%**	**473**	**473**
HK$	**8%**	**1,193**	**1,193**
As at 31 December 2019			
US$	3%	1,114	1,114
RMB	4%	225	225
HK$	3%	831	831

The same % depreciation in the Group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's profit for the year and equity but of opposite effect.

40.6 Fair value measurement of financial instruments

The carrying amounts of financial assets and financial liabilities (other than those disclosed below) of the Group as at the end of the reporting period approximate their fair values due to their short-term nature.

The table below analyses financial instruments that are measured subsequent to initial recognition at fair value, grouped into three levels. The three levels are defined based on the observability and significant of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs

Level 3: significant unobservable inputs for the asset or liability

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

40.6 Fair value measurement of financial instruments *(continued)*

	Level 1 MYR'000	Level 2 MYR'000	Level 3 MYR'000	Total MYR'000
Financial assets:				
As at 31 December 2020				
Financial assets at FVTPL				
– Equity securities listed in Malaysia	**426**	**–**	**–**	**426**
– Foreign currency forward contract assets *(note iii)*	**–**	**3,336**	**–**	**3,336**
– Investment in RCPS *(note iv)*	**–**	**–**	**3,000**	**3,000**
	426	**3,336**	**3,000**	**6,762**
As at 31 December 2019				
Financial assets at FVTPL				
– Foreign currency forward contract assets *(note iii)*	–	2,395	–	2,395

Notes:

(i) There were no transfers between Level 1 and Level 2 during the year ended 31 December 2020 (2019: Nil).

(ii) The promissory note entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for the derivative financial instruments.

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

(iv) The information about the fair value of investment in RCPS of PAC categorised under Level 3 fair value hierarchy are described below:

	Valuation technique	Unobservable input	Discount rate 2020
Investment in RCPS	Market comparable companies	Discount of lack of marketability	28.45%

The fair value of investment in RCPS is determined using the price/book ratios of comparable listed companies adjusted for lack of marketability discount. An increase in the discount for lack of marketability would decrease the fair value. As at 31 December 2020, it is estimated that with all other variables held constant, an increase/a decrease in discount of lack of marketability by 5% would decrease/increase the Group's other comprehensive income by MYR318,000/MYR0.

41. CAPITAL MANAGEMENT

The Group's objective of managing capital remains unchanged and 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.

The net debt to equity ratio at the reporting date is as follows:

	2020 **MYR'000**	2019 MYR'000
Borrowings	**2,976**	3,362
Less: Cash and cash equivalents	**(300,280)**	(303,955)
Net cash	**(297,304)**	(300,593)
Total equity	**533,545**	438,923
Net debt to equity ratio	**N/A**	N/A

42. SUBSEQUENT EVENT

Extension of profit guarantee period in relation to the acquisition of TP

Based on the financial statement of TP for FYE 2020 and FYE 2021, the Vendors do not expect the Aggregate PAT of TP to meet the Aggregate Profit Guarantee. Accordingly, no balance sum of the consideration payable to the Vendors was repaid.

Pursuant to the Company's announcement on 25 February 2021, given the reasons for the Shortfall were mainly due to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which were beyond the control of the Vendors, and considering the business prospect of TP Concept, the Group and the Vendors (the "Parties") have entered into a supplemental share sale agreement on 25 February 2021 to extend the Profit Guarantee Period for the Vendors to fulfill the Aggregate Profit Guarantee. The Parties have mutually agreed that the Aggregate PAT to be used for determining the Aggregate Profit Guarantee shall be the Aggregate PAT of TP Concept for FPE2019, NFYE2020, NFYE2021 and NFYE2022 ("Extended Profit Guarantee Period").

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