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

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

UNLOCKING POSSIBILITIES

ANNUAL REPORT 2018

VISION & MISSION

Our Vision

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

Our Mission

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

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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 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

REGISTERED OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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Phase IV, 11900 Penang
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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-international-ltd.com

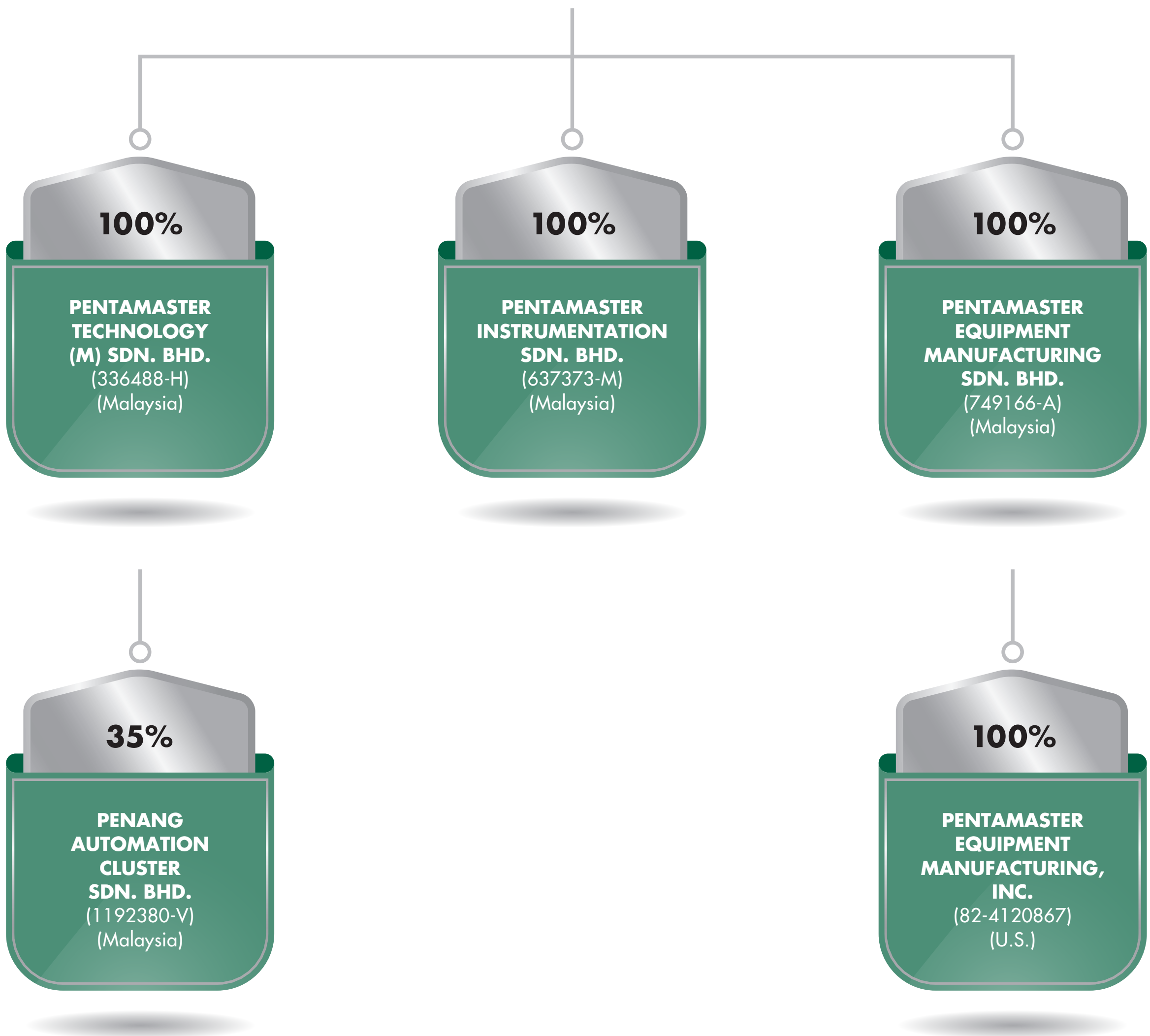
STOCK CODE

1665

CORPORATE STRUCTURE

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

(MC-323853)
(Cayman Islands)



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Pentamaster International Limited (the "Company" or "PIL"), I am delighted to report another strong financial year for the Company and its subsidiaries (collectively, the "Group", "we", "us" or "our"), in which we continued to deliver excellent results to our shareholders. Amid a challenging market environment in 2018, we made history for the Group where our sales revenue hit a record of approximately MYR417.1 million and with profit after tax of exceeding MYR100.0 million. Such encouraging growth and results were led by a good product mix of the Group's customised back-end testing equipment and solutions coupled with operating efficiencies and focused business strategies which are backed by a dedicated team of management team and employees that enabled the Group to reach such pinnacle since its establishment.

The Group's strong position in technology leadership and its commitment to invest in both research and development ("R&D") and human capital are what has enabled the Group to grow and gain market traction in the current market environment. With that being said, we must have the right strategy and a strong culture heading into the new decade and era of artificial intelligence where technology is revolutionising the way we live.

STRATEGY AND CULTURE

Strategically, 2018 has been a very important year for PIL, in which the Company embarked on a series of plans to strive towards its vision to be a global player in the automated equipment ("AE") and automated manufacturing solution ("AMS") markets. Besides organic growth, we are reviewing potential acquisitions that are synergistic in propelling the two key segments of the Group for technological advancement and increasing our market size and share. Equally important to the effectiveness of this strategy is the continuing development of our business model with a culture mandate of five key values – "*Be fruitful, and multiply, and replenish, and subdue it and have dominion*"

PIL strives to become a *fruitful* company that generates good profitability, as we continue *multiplying* in numbers by expanding our Group. We will be steadfast in our efforts to remain at the forefront of technology innovation so as to fill up our market size and share ahead of our competitions, as we thrive to *subdue* competition to become a market leader through our advances in technological solutions. Most importantly, our end goal is to have a *dominant* presence in providing automated test solutions for smart devices, automotive and medical components together with our automated manufacturing solution, the demand of which is riding the revolution brought about by Industry 4.0. With our current strength and focus coupled with the huge market potential, the Group has the strategy and culture backed by its products, people and proposition to keep going from strength to strength.

FUTURE POTENTIALS AND GROWTH

Heading into the new decade and era of technology and artificial intelligence, the Group endeavours to develop a robust environment for new business opportunities as depicted below.

A. VCSEL/LiDAR Prober and Burn-in

With technological advancements pushing a more complex and a wider application for the 3D (3 dimensional) sensor module solutions, one of the Group’s key developments is the launching of its latest proprietary two new products for the wafer-level testing, namely the VSCEL/LiDAR probing test machine (Model “***TROOPER***”) and burn-in test machine (Model “***ZETA***”).

TROOPER wafer prober provides a comprehensive all-in-one tester for the wafer level screening of allowing only the good dice to flow down to the next phase of manufacturing process thus eliminating wastage in manufacturing cost and ensuring excellent product quality. ***TROOPER*** comes with integrated test features such as LIV (light-current-voltage) test, Far Field test, and Near field test for VCSEL (vertical cavity surface emitting laser), EEL (edge emitting laser) and Laser Diodes.

ZETA wafer level burn-in test on the other hand improves the cost effectiveness by enhancing product reliability in the early stage of integrated chips manufacturing process without incurring packaging cost. ***ZETA*** is our latest wafer-level VCSEL, LiDAR (light detection and ranging) and LED (light emitting diode) burn-in test handler. It accommodates up to two wafers in a compact foot print consisting of 7,200 independent driver channels, voltage/current measurement, temperature monitoring, wafer probers and thermally controlled water cooled wafer chuck programmable up to 130 degree celsius.

VCSEL technology has a dominant presence in applications for 3D facial recognition, augmented reality, automotive in-cabin sensing and automotive LiDAR. Particularly on LiDAR where it is considered as the critical sensor of successful deployment of self-driving vehicles in automotive industry with a surveying method that measures distance to a target by illuminating the target with pulsed laser light and measuring the reflected pulses with a sensor, it is anticipated that globally, such technology will see a robust growth as we begin to evolve into Advanced Driver Assistance Systems (ADAS), autonomous drive, fully electric vehicles etc. VCSEL is one of the illumination sources that emits high power optical beam vertically from its top surface. It can measure distance and velocity in 3D space and can eliminate the moving parts in the LiDAR, reducing overall cost of the system. Each individual discrete VCSELs have limited output power. By putting tens to thousands of VCSEL arrays on one chip, it becomes a high power device which can provide very short pulses at higher power density in order to make it eye safe for any applications. In this regard, the Group is optimistic on the demand for our Model TROOPER and ZETA. This is in addition to the Group’s exposure to VCSEL technology as part of its 3D sensor module solutions for the smart mobile segments.

B. Medical segment

Additionally, the Group is also making progress to cater for the medical segment with a few projects involving its i-ARMS (intelligent automated robotic manufacturing system) being developed for precision manufacturing automation in the medical field for its clients. During the financial year 2018, the Group has its new production plant in Batu Kawan, Penang completed that resulted in an increased production floor space of approximately 90,000 sq ft. This new plant was custom-built and equipped with a clean room with an ISO Class 9 environment categorisation, to cater for the Group's AMS segment in targeting potential customers in the medical field. Given the high requirement and adoption of manufacturing automation amid the Industry 4.0 revolution coupled with artificial intelligence, this new production plant comes in time for the Group to expedite its i-ARMS in its venture into this new market with high potential and growth.

OUTLOOK

While 2018 has proved to be a challenging year for the overall technology sector, the Group remains optimistic and expects 2019 to be another good year with the continued strong demand from its customers as evidenced by the size of its outstanding secured orders.

We have come a long way and we are heartened to see how the Group has evolved over the last five years. The Group remains committed to creating value and generating strong returns to shareholders who have placed their trust with us. Besides that, the Group continues to advocate its employees' importance whom has contributed significantly to the Group's success thus far. As we carry our heritage of excellence forward into an exciting future, we look forward to many more growth prospects and opportunities in the coming years.

DIVIDEND

Given the Group's performance this year and the Board's confidence in its future prospects, the Board is proposing the payment of a final dividend of HK$0.015 per share to reward its shareholders.

APPRECIATION

Looking forward, we will continue to pursue new technology opportunities to keep up with the evolving market place and optimise our corporate strategy of creating long term value for our stakeholders.

In this regard, I would like to express my heartfelt thanks to the management and staff for their enormous contribution, as well as my Board colleagues for their dedication, invaluable advice and undivided support over the past year. To my shareholders, I appreciate your commitment and patience with us throughout the year and I hope we shall continue to have continuous growth and better returns in years to come.

Finally, I would like to thank my almighty God for His countless blessings showered upon us the past year and ask for His blessing towards our staff families with good health and joy.

CHUAH CHOON BIN
Chairman and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Amid a challenging 2018, the Group continued to deliver and chalk another milestone in achieving laudable revenue and profit growth. The Group's revenue grew 53.5% year-on-year to a historic record of MYR417.1 million in 2018, whilst its consolidated profit after taxation for the year stood at MYR100.0 million, representing an increase of 145.7% from the previous year. Such encouraging growth and results were led by a good product mix of the Group's customised back-end testing equipment and solutions coupled with operating efficiencies and focused business strategies which are backed by a dedicated team of management team and employees that enabled the Group to reach such pinnacle since its establishment.

With the Group's key strengths and focus on test solutions for smart devices and its proprietary i-ARMS, it is able to actively participate and develop with its clients smarter and more complex equipment and solutions with better features and functions in meeting the new era of artificial intelligence. The Group's strong position in technology leadership and its commitment to invest in both research and development ("R&D") and human capital are what has enabled the Group to grow and gain market traction in the current market environment.

Heading into the new decade and era of artificial intelligence where technology is revolutionising the way we live, the Group endeavours to develop a robust environment for both its AE and AMS segments. In the financial year ended 2018, the Group continued to see robust demand for its smart mobile device test solutions, among others, test machine for proximity sensor, light sensor, 3D (3 dimensional) sensor, humidity and motion sensor. Continue into 2019, the Group is optimistic on the demand for its customised testing equipment and solutions given the prevalence of sensors in the smart mobile devices as well as in other sectors' applications and the continuous sensor technology breakthrough. Particularly, the Group's exposure in VCSEL (vertical cavity surface emitting laser) as part of its 3D sensor module solutions will present new business opportunities for the Group to expand into.

During the year, the Group continued to diversify its revenue base to other segments as well, in particular, the automotive and medical segments. With technological advancements pushing into the automotive industry, this segment is witnessing a transitioning of "hardware"/"mechanical" vehicles towards more "software"/"electrical" defined vehicles. It is anticipated that globally, the average software and electronics content per vehicle is expected to increase drastically in the coming years as we begin to see innovations involving advanced driver assistance systems (ADAS), autonomous drive, fully electric vehicles etc. being adopted. Such trend and advancement undoubtedly increase the importance of safety, reliability, security and functionality features and architecture around the automotive segment. As such, the electronic components required, be it MLCC (multilayer ceramic capacitors) or power inverters, battery pack or intelligent sensors, will be in demand and the Group is well positioned and qualified in providing its highly customised testing equipment and solutions to cater for this exciting and growing segment. As of 2018, the Group's exposure in the automotive segment stood at 11.0% of total Group's revenue, almost doubling from 6.0% achieved in 2017. Additionally, the Group is also making progress to cater for the medical segment with few projects involving its i-ARMS being developed for precision manufacturing automation in the medical field for its client.

The following table depicts the Group's revenue composition by customers' segment:

By industry

For the year ended 31 December

	2018		2017	
	MYR'000	**%**	MYR'000	%
Telecommunications	**304,421**	**73.0**	174,293	64.2
Automotive	**45,839**	**11.0**	16,292	6.0
Semiconductor	**41,228**	**9.9**	62,216	22.9
Consumer electronics	**21,346**	**5.1**	17,820	6.6
Medical devices	**1,421**	**0.3**	61	0.0
Others	**2,843**	**0.7**	961	0.3
	417,098	**100.0**	271,643	100.0

Geographically, the Group has also broadened and deepened its footprints into the Greater China region, where this region was outlined as part of the Group's key focus market to expand into as illustrated in the prospectus dated 29 December 2017 (the "Prospectus") for listing on the Stock Exchange. During the year, Singapore, China, Malaysia, Taiwan and Japan were the top five shipment markets for the Group.

Revenue breakdown based on shipment destination is as follows:

By shipment

For the year ended 31 December

	2018	2017
	MYR'000	MYR'000
Singapore	**243,136**	170,787
China	**80,113**	34,648
Malaysia	**27,075**	35,381
Taiwan	**19,830**	8,835
Japan	**16,153**	4,030
USA	**12,308**	2,185
Republic of Ireland	**6,741**	6
Thailand	**3,566**	2,109
Philippines	**3,091**	8,389
Germany	**1,772**	72
Others	**3,313**	5,201
	417,098	271,643

During 2018, the Group has also witnessed the completion of its new production plant in Batu Kawan, Penang, that resulted in an increased production floor space of approximately 90,000 sq. ft.. This new plant was custom-built and equipped with an ISO Class 9 environment categorisation clean room to cater for the Group's AMS segment as well as for the Group's potential customers in the medical segment. Given the high requirement and adoption of manufacturing automation amid the Industry 4.0 revolution, this new production plant comes at an opportune time for the Group to expedite its i-ARMS in addressing the Group's customers' needs, be it in the telecommunications segment, automotive segment and/or the medical segment.

FINANCIAL REVIEW

Revenue

Revenue of the Group grew by approximately 53.5% from MYR271.6 million in 2017 to MYR417.1 million in 2018 which has been the best record since its inception 23 years ago. The growth in revenue was driven by improved contributions from both the AE and AMS business segments, which constituted approximately 81.0% and 19.0% of the total Group's external revenue respectively.

	Revenue		
	2018 MYR'000	2017 MYR'000	Fluctuation %
Automated equipment	**348,698**	236,104	47.7
Automated manufacturing solution	**86,402**	49,215	75.6

Automated equipment segment

The AE segment remains the Group's major revenue source. In 2018, this segment recorded an increase in revenue by approximately MYR112.6 million to MYR348.7 million as compared to the previous year. The jump was mainly contributed by the continuous strong demand for the Group's smart sensor test equipment and solutions, particularly from the telecommunications segment given the continuous and increasing prevalence of smart sensors adopted in the latest smartphone upgrade as well as smartphone peripherals that includes wearable items (such as the wireless headphone products and watch). The Group continued to experience strong sales orders throughout 2018 with four consecutive quarter-on-quarter growth especially from its flagship test solutions in ambient and proximity sensors, besides its 3D sensors test equipment and solutions.

Automated manufacturing solution segment

The AMS segment of the Group comprises of customised integrated manufacturing system with the capabilities of addressing specific needs of customers by automating their manufacturing process. With the Group's proprietary i-ARMS that incorporates intelligent conveyor system that includes RFID (radio frequency identification), MEMS (manufacturing execution system) solution, robotic system, high speed sorters and vision system, the Group's AMS segment caters for a wide spectrum of customers in various industries including telecommunications, automotive, food and beverage as well as medical devices.

Revenue from this segment grew by approximately MYR37.2 million to MYR86.4 million in the financial year 2018, representing an increase of approximately 75.6%. The increase in revenue was mainly due to higher demand for the integrated manufacturing solution from customers in the telecommunications and automotive segment.

Gross margin

It is worthy to note that the Group improved its gross margin to 32.7% during the year as opposed to 28.4% achieved in 2017. The improvement was primarily attributable to the delivery of projects with better margin from the telecommunications and automotive segment as well as delivery of projects arising from customers' repeat orders on the Group's flagship testing equipment and solutions where such repeat orders witnessed margin expansion by leveraging on economies of scale. In particular, the automotive segment generally requires highly customised, stringent quality assurance and safety measures for its components, in which the Group is qualified and able to meet in supplying high standard test equipment and manufacturing solutions for its automotive clientele.

Other income

Other income of the Group increased from MYR5.8 million in 2017 to MYR6.5 million in 2018, which mainly comprised of foreign exchange gain of approximately MYR4.0 million recorded during the year. The gain on foreign exchange arose from the appreciation of U.S. dollar against MYR in the same year. Such gain on foreign exchange was offset by the loss from changes in fair value of foreign currency forward contracts of approximately MYR5.3 million recorded under the Group's administrative expenses, resulting in a net loss on foreign exchange of approximately MYR1.3 million during the year.

Administrative expenses

Administrative expenses mainly consisted of the movement arising from foreign exchange, professional fees, administrative staff cost and non-recurring listing expenses incurred. Administrative expenses increased slightly from MYR32.4 million in 2017 to MYR32.6 million in 2018, mainly due to the following factors:

(i) higher administrative staff cost of MYR17.2 million in 2018 (2017: MYR8.4 million) due to an increase in both staff remuneration and headcount; and

(ii) higher professional fees of MYR1.5 million incurred during the year (2017: MYR0.2 million) as part of the Group's listing maintenance expenses.

The above increase in costs were partially offset by:

(i) lower loss from changes in fair value of foreign currency forward contracts of MYR5.3 million during the year as opposed to the loss on foreign exchange of MYR11.4 million recorded in 2017 when the Group was subject to foreign currency exposure due to internal banking facilities reorganisation prior to 19 January 2018 ("Listing Date"); and

(ii) lower non-recurring listing expenses of MYR 1.7 million incurred in the first quarter of 2018 (2017: MYR6.0 million).

The Group's sales and receivables were predominantly denominated in U.S. dollar. As part of the Group's treasury policy to manage its foreign exchange exposure, the Group entered into foreign exchange forward contracts to minimise the effects of adverse exchange rate fluctuations on the financial position of the Company. The loss from changes in fair value of foreign currency forward contracts was mainly due to the appreciation of U.S. dollar against MYR towards the end of 2018. This loss was offset by the net gain on foreign exchange of MYR4.0 million recorded under other income.

Profit for the year

The Group closed its financial year with a net profit of MYR100.0 million (2017: MYR40.7 million), after taking into account the one-off listing expenses incurred in the first quarter of 2018. Should the effects of such expenses be excluded, the Group would have exhibited a net profit of MYR101.8 million, an increase of 118.0% from MYR46.7 million achieved in 2017. Accordingly, the adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) for 2018 stood at MYR110.8 million as compared to MYR54.4 million achieved in 2017. Basic earnings per share rose from MYR2.82 sen in 2017 to MYR6.29 sen in 2018.

The following table demonstrates the impact on our profit after taking account the one-off and non-recurring costs:

	2018 MYR'000	2017 MYR'000
One-off and non-recurring costs		
Listing expenses	**1,746**	5,449
Stamp duty paid for transfer of shares resulted from the PIL Listing	**–**	527
Reported profit for the year	**100,009**	40,696
Adjusted profit for the year	**101,755**	46,672

Liquidity, financial resources and capital structure

On the balance sheet front, the financial position of the Group remains healthy and robust with working capital of MYR244.3 million as at 31 December 2018 (31 December 2017: MYR80.0 million). The Group generated net cash from operations of MYR69.7 million in 2018 as compared to MYR57.2 million in the previous year. Cash and cash equivalents increased from MYR81.6 million as at 31 December 2017 to MYR217.7 million as at 31 December 2018. The overall significant improvement in the cash and cash equivalents held was mainly due to the stringent credit policy adopted as well as healthier EBITDA being generated from operations. The surplus funds generated from operations were mainly utilised to meet the demand of working capital and improve the Group's engineering and manufacturing capabilities through purchase of new equipment and design software system. As at 31 December 2018, the Group had available banking facilities of MYR27.5 million in the form of term loan and trade facilities, out of which the Group had drawn MYR3.7 million to partly finance the purchase of leasehold land for the Group's new production plant in Batu Kawan, Penang. As at 31 December 2018, the gearing ratio of the Group stood at 3.7% (31 December 2017: 12.2%). Gearing ratio is calculated based on the total debts (being amount due to ultimate holding company, amounts due to a fellow subsidiary, finance lease liabilities and bank borrowing) divided by total equity as at the end of each respective year and multiply by 100.0%.

Contingent liabilities

As at 31 December 2018, 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 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 currencies of the Group entities to which transactions relate.

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

Pledge of asset

As at 31 December 2018, the Group's leasehold land of MYR4,995,000 (2017: MYR5,015,000) 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. As at 31 December 2018, the total number of full time employees of the Group increased to 503 (31 December 2017: 400) as more human resources were required to cope with the increase in sales. Of the total Group's workforce, it currently has over 350 in-house engineers where most of them were based in Malaysia whilst the rest were stationed in China for customer liaison and support purpose.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Use of net proceeds from the Listing

The shares of the Company were successfully listed on the Main Board of 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, the net proceeds utilised by the Group form the Listing Date up to 31 December 2018 are as follows:

Use of net proceeds	Amount of net proceeds earmarked		Use of proceeds from the Listing Date up to 31 December 2018	Unutilised amount	Unutilised proportion	Remarks
	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	22.2	23.6	51.5	Note 1
Business expansion into the Greater China region	38.1	20.6	7.4	13.2	64.1	Note 2
Establishment of an office in California, U.S.	28.2	15.3	1.3	14.0	91.5	Note 3
Marketing, branding and promotional activities	3.1	1.7	0.5	1.2	70.6	Note 4
Working capital	17.1	9.2	9.2	–	–	
Total	**171.3**	**92.6**	**40.6**	**52.0**	**56.2**	

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.

Note 1: Majority of the unutilised proceeds is expected to be utilised by 2019 subject to the completion status of the expansion of the existing production plant.

Note 2: Subject to the finalisation of the Company's potential future business collaboration or joint ventures or other strategic arrangements within 2019.

Note 3 and Note 4: Such unutilised proceeds will be utilised within the next 5 years starting from the Listing Date.

OPERATIONAL AND FINANCIAL RISKS

Operational risks

Dependence on key management and experienced personnel

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

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

Risk relating to technological obsolescence

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

The Group seeks to minimise these risks by actively and continuously pursuing technology innovation and advancement, industry best practices and strategic business alliances to address the increasing sophisticated needs of its customers. The Group also provides continuous staff development to align their skills and knowledge with the requirements of the latest technology in the automation and semiconductor industries. Continuous efforts are constantly made to increase the efficiencies of the R&D 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 36 under the notes to the consolidated financial statements.

PROSPECTS

With the world constantly moving into a new era of technology innovation, the Group has continuously evolved to face a landscape filled with opportunities. While 2018 has proved to be a challenging year for the overall technology sector, the Group remains optimistic and expects 2019 to be another good year with the continued strong demand from its customers as evidenced by the size of its outstanding secured orders of approximately MYR303.0 million as of 31 December 2018 with expected delivery in 2019, representing a 72.6% of the Group's total revenue in 2018.

The Group's growth momentum in the coming years will be mainly driven by three catalysts. The first catalyst is the deeper involvement of the Group with its customers in supplying its test equipment and solutions to cater for wider adoption of smart sensors in a broader product range and segments. The second catalyst stems from the Group's broadening exposure in the 3D sensor module test equipment and solutions, covering various 3D testing requirements for both Structured Light ("SL") and Time of Flight ("TOF") applications as well as VCSEL. With facial recognition becoming mainstream coupled with the fact that our existing customers are diversifying its 3D sensors application to a wider market base, the Group expects the volume for its smart sensor test equipment and solutions to increase in tandem. Finally, the Group will continuously and actively diversify into other sectors, particularly the automotive sector which has been rapidly growing as a result of higher adoption rate of electronic devices in the automotive car control segment and the continuing growth in electric vehicles.

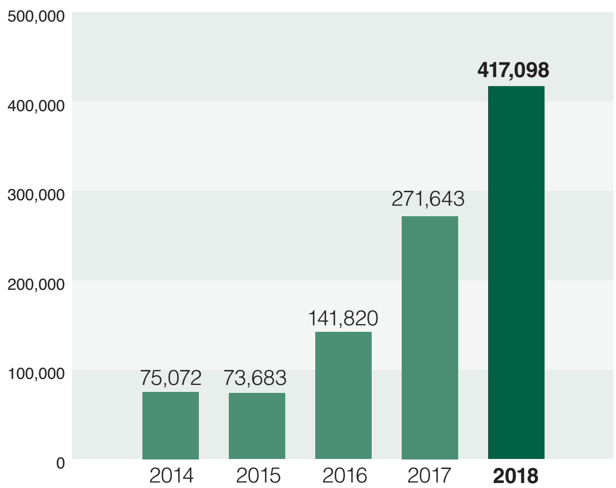
Given the current pace in the global technology innovation which affects the entire technology market supply chain that includes back-end assembly and testing equipment, the Group, by leveraging on its strong track record and capability in delivering cost effective solutions and high quality services, is in an unparalleled position to ride on the latest technological trends and to capture the opportunity for the Group's business growth. With the ongoing trade tensions between the United States and China resulting in trade diversion effect where a potential shift in the global supply chain from China to Southeast Asia may take place, this will further open up a window of opportunity for the Group to expedite its expansion plan in Greater China region and penetrate new markets.

The Group has evolved over the last five years, but the core value of integrity, commitment, innovation and dedication to our customers remain unchanged. The Group remains committed to creating value and generating strong returns to shareholders who have placed their trust in us. Besides that, the Group continues to advocate its employees' importance whom has contributed significantly to the Group's success thus far. As we carry our heritage of excellence forward into an exciting future, we look forward to many more growth prospects and opportunities.

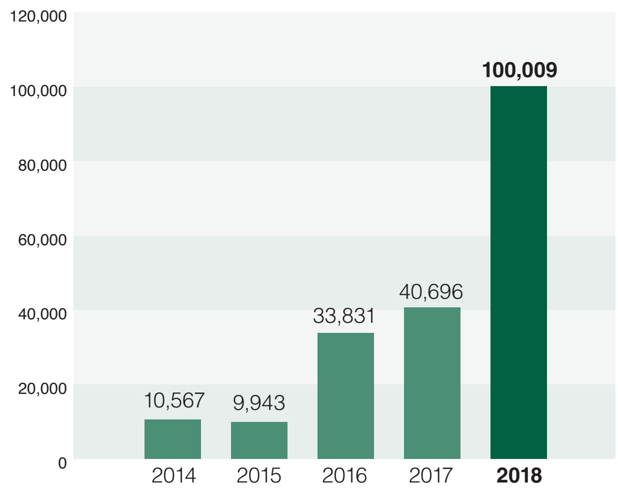
FINANCIAL SUMMARY

RESULTS (Audited)	**2018 MYR'000**	2017 MYR'000	2016 MYR'000	2015 MYR'000	2014 MYR'000
Revenue	**417,098**	271,643	141,820	73,683	75,072
Profit before taxation	**105,366**	45,179	32,788	11,815	12,531
Profit after taxation	**100,009**	40,696	33,831	9,943	10,567
Profit attributable to:					
Owners of the Company	**100,009**	39,646	31,275	9,606	9,056
Non-controlling interests	**–**	1,050	2,556	337	1,511
ASSETS AND LIABILITIES					
Total assets	**497,947**	292,009	126,478	76,620	79,507
Total liabilities	**177,568**	164,628	39,794	22,767	35,597
Net assets	**320,379**	127,381	86,684	53,853	43,910

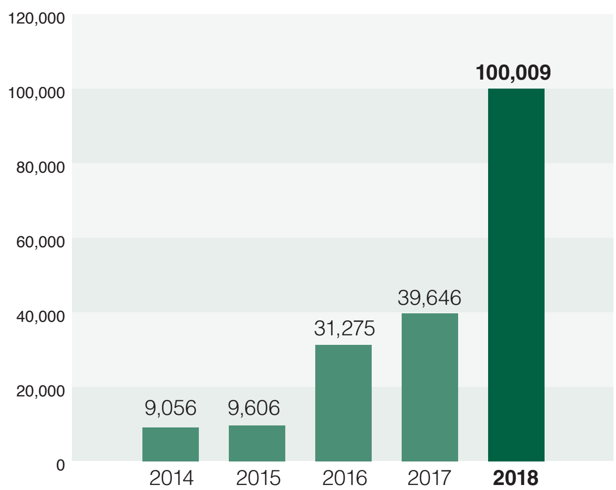
Revenue
(MYR '000)



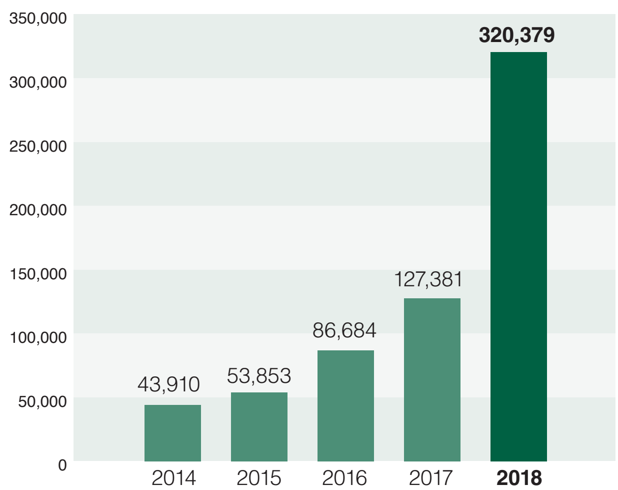
Profit after taxation
(MYR '000)



Profit attributable to owners of the Company
(MYR '000)



Net assets
(MYR '000)



DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chuah Choon Bin ("Mr. Chuah"), aged 58, 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 Pentamaster Corporation Berhad ("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 was ranked in the top 200 in the Forbes "2017 Best Under a Billion" list of companies that are publicly listed in the Asia Pacific region, winner for the Enterprise 50 Award 2002 organised by Accenture and SMIDEC, and Quality Management Excellence Award 2003 for the category of local company with annual sales turnover exceeding 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 Ernst & Young Emerging Entrepreneur of the Year Award Malaysia 2002.

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

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 43, was appointed as our Director on 12 June 2017 and was re-designated as our Executive Director on 5 September 2017. 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. From March 2014 to 19 December 2017, she was an executive director of PCB. Ms Gan is primarily responsible for the overall management, corporate affairs, finance, treasury, control functions and budgeting 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 44, 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 blue print, customer relationship management implementation, market entry and feasibility studies, and mergers and acquisitions evaluations.

He started his career with BBMB Securities Sdn. Bhd., where he last served as senior manager of institutional sales. He was a director at L3 Consulting Sdn. Bhd. and Project Director for Synovate Sdn. Bhd. and prior to that, as senior manager for ACNielsen Malaysia Sdn. Bhd. ("ACNielsen"). During his tenure at ACNielsen, he was awarded with three ACNielsen awards for his contribution in successfully implementing and executing key strategies for the firm's local operations. From December 2016 to April 2017, he was also an independent non-executive director of Jack-In Group Limited, a company listed on the Australian Securities Exchange (ASX:JIP).

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 52, 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 August 2014 to 19 December 2017, he was a non-executive independent director of PCB. He also sits on the board of Jack-in Group Limited, a company listed on the Australian Securities Exchange (ASX: JIP) as an independent director and is also the chairman of the audit committee as well as the remuneration committee of this company. Mr. Sim also sits on the board of Nova Wellness Group Berhad ("Nova"), a company listed on the ACE 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.

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 57, 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 53, 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). Currently, Ms Chan is also sitting on the board of BGMC International Limited, a construction services company listed on the Main Board of the Stock Exchange (stock code: 1693), as an independent non-executive Director.

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 48, 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 62, 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 equipment division

Mr. Teh Eng Chuan ("Mr. Teh"), aged 45, has been the chief operating officer of Pentamaster Technology (M) Sdn. Bhd. ("Pentamaster Technology") since January 2015. Mr. Teh is primarily responsible for overseeing the daily operations of Pentamaster Technology. He joined as a vision software engineer of Pentamaster Technology in January 1996 and has over 20 years of experience in the machine vision, design and control. Mr. Teh completed a course of higher diploma in computer science in Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in April 1995.

Ng Chin Keng
Chief Operating Officer – automated manufacturing solution division

Mr. Ng Chin Keng ("Mr. Ng"), aged 40, 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.

Ng Yen Mei
Corporate Procurement Logistic Manager

Ms. Ng Yen Mei ("Ms. Ng"), aged 42, is our corporate procurement logistic manager and is primarily responsible for overseeing the procurement and logistic functions covering purchasing, sourcing, warehouse and logistic operations of the Group. Ms. Ng joined our Group in June 2004 and has approximately 20 years of experience in procurement and accounting. Prior to joining the Group, she served as materials specialist in Dell Asia Pacific Sdn, where she provided support for business operations procurement. Ms. Ng obtained a master's degree of business administration from Paramount University of Technology, the United States in April 2007 through a distance learning course.

You Chin Teik
Vice President of New Business Development

Mr. You Chin Teik ("Mr. You"), aged 42, 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.

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 19 January 2018 (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 period from the Listing Date to the date of this annual report, the Company has complied with all the applicable provisions of the CG Code. The CG Code is not applicable to the Company before the Listing Date. 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 with effect from the Listing Date. 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	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 period from the Listing Date to 31 December 2018, 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 period from the Listing Date to 31 December 2018, 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 2018 is set out below:

Remuneration bands	**Number of senior management**
HK$1 to HK$1,000,000	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 period from the Listing Date to 31 December 2018, 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.

Nomination policy

The Board has adopted a nomination policy which sets 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 Rules Governing The Listing of Securities on the Stock Exchange (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 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 Company's 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 of the Company. 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 of the Company, 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 of the Company 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 2018, 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 since the Listing Date and up to the date of this annual report, except that Dr. Chuah Jin Chong ("Dr. Chuah"), an independent non-executive Director, acquired 112,000 shares of the Company on 22 January 2018. The Company, upon being notified by Dr. Chuah, informed the Stock Exchange immediately on such share transaction. The Company views such non-compliance very seriously and has taken immediate measures including arranging for the re-circulation of training materials to all Directors covering amongst others, the contents of the Model Code. The Directors have also been reminded in particular that written confirmation must be submitted and approval by the Chairman of the Board must be obtained before any dealings in the Company's securities are made. The Company will from time to time reiterate and provide reminders to the Directors regarding the procedures, rules and requirements to be complied with by them in relation to Directors' dealings in securities.

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 2018, 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	640,000
Non-audit services	9,000
Total	649,000

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 2018, 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 ended 31 December 2018. 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 of the Company (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: penta-online@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

The Company adopted the amended and restated Memorandum and Articles of Association of the Company by resolutions in writing of the shareholders passed on 19 December 2017, which has been effective since the Listing Date, to comply with the Listing Rules in Hong Kong. A copy of the amended and restated Memorandum and Articles of Association of the Company is posted on the Stock Exchange's website and the Company's website.

Save as the above mentioned, there has been no significant change in the Memorandum and Articles of Association 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 2018.

GROUP REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 June 2017. The Company completed the corporate reorganisation (the "Reorganisation") on 17 July 2017 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group.

Details of the Reorganisation are set out in paragraph headed "Reorganisation" in the section headed "History, Reorganisation and corporate structure" in the Prospectus.

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 17 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 2018.

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 6 and pages 7 to 16 of the annual report respectively. The financial risk management objectives and policies of the Group are set out in Note 36 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 2018 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 59 to 64.

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 of the Company 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 2018, the Board recommends the payment of a final dividend of HK$0.015 per share ("Final Dividend") subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on Monday, 10 June 2019. The register of members of the Company will be closed from Tuesday, 4 June 2019 to Monday, 10 June 2019 (the "Closure Period"), both days inclusive, for the purposes of determining the entitlements of the shareholders to attend and vote at the forthcoming AGM. During this Closure Period, no transfer of the Company's shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers, accompanied by the relevant share certificates and properly transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 3 June 2019.

The Final Dividend is payable on Friday, 26 July 2019 and the record date for entitlement to the Final Dividend is Tuesday, 18 June 2019. For determining the entitlement to the Final Dividend, the register of members of the Company will be closed from Friday, 14 June 2019 to Tuesday, 18 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 June 2019.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2018, calculated under Companies Law, Cap. 22 (Laws 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately MYR164,964,000 (2017: MYR80,258,000)

DONATIONS

During the year under review, the Group made charitable donations amounting to MYR135,000 (2017: MYR71,000).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment totalling approximately MYR28.3 million (2017: MYR2.6 million). Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 14 to the consolidated financial statements of this annual report.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There are no material events affecting the Group after the end of the year under review.

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 on 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
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 reporting period 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 (3), 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.

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 35 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.

CHANGE IN THE DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

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

Mr Sim Seng Loong @ Tai Seng was appointed as the independent non-executive director of Nova Wellness Group Berhad ("Nova") on 31 October 2017 and the shares of Nova were listed on the ACE Market of Bursa Malaysia Securities Berhad (stock code: 0201) on 20 July 2018.

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 (prior to completion of the Reorganisation) 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

Apart from the contracts relating to the Reorganisation of our Group in relation to the Listing and 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 2018, 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%
Mr. Leng Kean Yong	Beneficial owner	400,000(L)	0.025%
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	62,186,720(L)	19.64%
		Interest in spouse *(Note 2)*	61,560(L)	0.02%
Ms. Gan Pei Joo	PCB	Beneficial owner	216(L)	0.000068%

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 61,560 shares in PCB held by his spouse.

Save as disclosed above, as at 31 December 2018, 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 2018, 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	1,009,536,000(L)	63.10%
GEMS Opportunities Limited Partnership	Beneficial owner	104,192,000(L)	6.51%

Save as disclosed above, as at 31 December 2018, 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 2018.

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 2.17 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. For each of the years ended 31 December 2018 and 2017, the Group contributes up to 13.0% of the eligible employees' salaries to the EPF scheme.

The total costs charged to profit or loss amounting to MYR3,996,000 (2017: MYR2,611,000) represent contributions paid to the retirement benefits scheme by the Group.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year under review.

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 2018 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 2018 are disclosed in note 35 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 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 have a term of 15 months until 31 December 2019. 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: 57.9%

– five largest customers in aggregate: 81.6%

Purchases

– the largest supplier: 18.3%

– five largest suppliers in aggregate: 35.3%

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 2018 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.

INDEPENDENT AUDITOR'S REPORT

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 59 to 132, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 note 5 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The revenue recognition from the automated equipment and automated manufacturing solution segments depends on the nature of the contractual arrangement with the customer and this could impact the point at which the control is transferred and service is rendered to the customer. The revenue from these activities amounted to MYR417 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: – Reviewing 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 reviewing credit notes and sales returns issued after the reporting period.

KEY AUDIT MATTERS *(continued)*

Valuation of inventories
Refer to note 19 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group has significant balance of inventories as at 31 December 2018. The balance is mainly comprised of work-in-progress. Inventories are valued at the lower of cost and net realisable value. Significant judgment and estimation by management are involved in identifying inventories with net realisable values that are lower than their costs, and obsolescence, with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories.	Our audit procedures in relation to the valuation of inventories included: – Obtaining an understanding of: (i) how the Group accounts for the inventory costs, including material prices, cost elements related to production overheads absorption such as labour and other production costs; (ii) how the Group identifies and assess inventory write downs; and (ii) how the Group makes the accounting estimates for inventory write downs. – Reviewing the consistency of the application of group policy for calculating the provision from year to year. – Evaluating of the appropriateness of the methodologies applied in determining product cost and critically assessing the calculation. – Testing, on a sample basis, accuracy of cost absorption against the underlying supporting documents. – Attending inventory counts and reconciling the count results to the inventory listings to test the completeness. – On a sampling basis, testing the ageing of the inventories. – On a sampling basis, we have independently reviewed the net realisable value of inventories. – Reviewing the adequacy of the provision estimated and provided in the financial statements.

KEY AUDIT MATTERS *(continued)*

Provision for expected credit losses of trade receivables
Refer to note 20 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group has significant exposure to credit risk arising from its trade receivables as at 31 December 2018. 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.	Our audit procedures in relation to impairment of trade receivables included: – Obtaining an understanding of: (i) the Group's control over the trade receivables' collection process; (ii) how the Group identifies and assess the impairment of trade receivables; and (iii) how the Group makes the accounting estimates for impairment. – Reviewing the 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. – Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information. – Comparing the assumptions used to estimate the provision for impairment with the available industry data. – Assessing the operating effectiveness of relevant controls 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 2018 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.

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

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.

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, related safeguards.

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

27 February 2019

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **MYR'000**	2017 MYR'000
Revenue	*5*	**417,098**	271,643
Cost of goods sold		**(280,877)**	(194,434)
Gross profit		**136,221**	77,209
Other income	*6*	**6,522**	5,752
Distribution costs		**(4,426)**	(5,257)
Administrative expenses		**(32,552)**	(32,390)
Other operating expenses		**(145)**	(85)
Operating profit		**105,620**	45,229
Finance costs	*8*	**(188)**	(12)
Share of results of an associate	*18*	**(66)**	(38)
Profit before taxation	*9*	**105,366**	45,179
Taxation	*10*	**(5,357)**	(4,483)
Profit and total comprehensive income for the year		**100,009**	40,696
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**100,009**	39,646
Non-controlling interests		**–**	1,050
		100,009	40,696
Earnings per share attributable to owners of the Company (sen)			
Basic and diluted	*12*	**6.29 sen**	2.82 sen

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 3.

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 MYR'000	2017 MYR'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**64,034**	38,209
Leasehold land	*15*	**7,621**	7,704
Intangible assets	*16*	**1,697**	932
Interest in an associate	*18*	**3,046**	1,012
		76,398	47,857
Current assets			
Inventories	*19*	**138,115**	121,541
Trade receivables	*20*	**48,701**	32,648
Other receivables, deposits and prepayments	*21*	**16,212**	7,855
Derivative financial assets	*22*	**–**	461
Tax recoverable		**816**	4
Cash and cash equivalents	*23*	**217,705**	81,643
		421,549	244,152
Total assets		**497,947**	292,009
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*24*	**8,054**	1
Reserves	*25*	**312,325**	127,380
Total equity		**320,379**	127,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2018

	Notes	2018 MYR'000	2017 MYR'000
LIABILITIES			
Current liabilities			
Trade payables	*26*	**38,378**	24,551
Other payables, accruals and provision	*27*	**21,915**	123,605
Contract liabilities	*28*	**99,092**	–
Amount due to ultimate holding company	*35(d)*	**8,207**	10,799
Amount due to a fellow subsidiary	*35(d)*	**6**	555
Derivative financial liabilities	*22*	**4,810**	–
Finance lease liabilities	*29*	**36**	138
Bank borrowing	*30*	**3,680**	4,000
Provision for taxation		**1,156**	525
		177,280	164,173
Non-current liabilities			
Finance lease liabilities	*29*	**–**	36
Deferred income	*31*	**288**	419
		288	455
Total liabilities		**177,568**	164,628
Total equity and liabilities		**497,947**	292,009

Gan Pei Joo
Director

Chuah Choon Bin
Director

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 3.

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to owners of the Company							
	Share capital MYR'000 *(note 24)*	Share premium MYR'000 *(note 25)*	Capital reserve MYR'000 *(note 25)*	Retained profits MYR'000 *(note 25)*	Proposed final dividend MYR'000 *(note 13)*	Sub-total MYR'000	Non–controlling interests MYR'000	Total equity MYR'000
As at 1 January 2017	–	–	39,450	43,257	–	82,707	3,977	86,684
Profit and total comprehensive income for the year	–	–	–	39,646	–	39,646	1,050	40,696
Transactions with owners:								
Issuance of share capital upon incorporation *(note 24)*	–*	–	–	–	–	–*	–	–*
Issuance of share capital *(note 24)*	1	–	–	–	–	1	–	1
Acquire additional interest in a subsidiary	–	–	5,027	–	–	5,027	(5,027)	–
Total transactions with owners	1	–	5,027	–	–	5,028	(5,027)	1
As at 31 December 2017 and 1 January 2018	1	–	44,477	82,903	–	127,381	–	127,381
Profit and total comprehensive income for the year	–	–	–	100,009	–	100,009	–	100,009
Transactions with owners:								
Issuance of share capital pursuant to the Share Offer *(note 24)*	967	92,022	–	–	–	92,989	–	92,989
Issuance of share capital pursuant to the Capitalisation Issue *(note 24)*	7,086	(7,086)	–	–	–	–	–	–
Total transactions with owners	8,053	84,936	–	–	–	92,989	–	92,989
2018 final dividends proposed *(note 13)*	–	–	–	(12,433)	12,433	–	–	–
As at 31 December 2018	**8,054**	**84,936**	**44,477**	**170,479**	**12,433**	**320,379**	**–**	**320,379**

* Representing one share of HK$0.01.

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 3.

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 MYR'000	2017 MYR'000
Cash flows from operating activities			
Profit before taxation		**105,366**	45,179
Adjustments for:			
Amortisation of intangible assets		**960**	721
Amortisation of leasehold land		**83**	61
Deferred income released		**(131)**	(292)
Depreciation		**2,456**	2,412
Gain on disposal of property, plant and equipment		**–**	(7)
Loss/(Gain) from changes in fair value of foreign currency forward contracts		**5,271**	(3,988)
Gain on disposal of investment securities		**–**	(73)
Interest expense		**188**	12
Bank interest income		**(1,981)**	(653)
Inventory written downs – addition		**176**	7
Inventory written downs – reversal		**(21)**	(8)
Bad debts recovery		**(6)**	–
Impairment loss on trade receivables		**–**	106
Property, plant and equipment written off		**–**	12
Provision for warranty – current year		**736**	444
Provision for warranty – reversal		**(444)**	(195)
Share of results of an associate		**66**	38
Unrealised (gain)/loss on foreign exchange		**(8,322)**	7,230
Operating profit before working capital changes		**104,397**	51,006
Increase in inventories		**(16,729)**	(103,986)
Increase in receivables		**(22,561)**	(9,825)
Increase in payables		**27,764**	122,889
Decrease in contract liabilities		**(16,939)**	–
Net change in a fellow subsidiary's balance		**(549)**	555
Cash generated from operations		**75,383**	60,639
Government grants received		**–**	260
Interest paid		**(188)**	(12)
Tax paid		**(5,619)**	(3,759)
Tax refunded		**81**	37
Net cash from operating activities		**69,657**	57,165

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2018

	Note	2018 MYR'000	2017 MYR'000
Cash flows from investing activities			
Bank interest received		**1,981**	653
Proceeds from disposal of property, plant and equipment		**–**	7
Purchase of intangible assets		**(1,725)**	(456)
Purchase of property, plant and equipment		**(28,281)**	(2,594)
Purchase of leasehold land		**–**	(2,507)
Proceeds from disposal of investment securities		**–**	2,636
Investment in an associate		**(2,100)**	(1,050)
Net cash used in investing activities		**(30,125)**	(3,311)
Cash flows from financing activities			
Proceed from issuance of share capital, net		**92,989**	1
(Repayments)/Advances from ultimate holding company		**(2,592)**	453
Proceeds from term loan		**–**	4,000
Repayment of term loan		**(320)**	–
Repayment of finance lease liabilities		**(138)**	(132)
Net cash from financing activities		**89,939**	4,322
Net increase in cash and cash equivalents		**129,471**	58,176
Cash and cash equivalents at the beginning of the year		**81,643**	26,298
Effect of foreign exchange rate changes		**6,591**	(2,831)
Cash and cash equivalents at the end of the year	*23*	**217,705**	81,643

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 3.

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

1.1 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 save for the group reorganisation below. The Company and its subsidiaries (collectively, the "Group") are principally engaged in (i) designing, development and manufacturing of standard and non-standard automated equipment and (ii) designing, development and installation of integrated automated manufacturing solutions (the "Listing Businesses").

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 2018, the directors regard PCB as the ultimate holding company.

These consolidated financial statements for the year ended 31 December 2018 were approved for issue by the board of directors on 27 February 2019.

1.2 Basis of presentation

Pursuant to the group reorganisation (the "Reorganisation") as detailed in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and corporate structure" of the Company's prospectus dated 29 December 2017, PCB became the holding company of the companies now comprising the Group on 17 July 2017.

Immediately prior to and after the Reorganisation, the Listing Businesses are controlled by PCB. Accordingly, there was a continuation of risks and benefits to PCB and the Reorganisation is considered to be a restructuring of entities under common control.

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 of the Group for the year ended 31 December 2017 had been prepared using the merger basis of accounting as if the current group structure had been in existence throughout that year, or since their respective dates of incorporation, where it is a shorter period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 59 to 132 have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term 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/liabilities 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 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 Associates

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)*

2.3 Associates *(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 associates. 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 associates. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Property, plant and equipment

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

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

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

Machineries and equipment	10% – 33.33%
Furniture, fittings and office equipment	10% – 18%
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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Leases

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

Finance lease

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

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

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

Operating lease

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position.

Assets leased out under operating leases are measured and presented according to the nature of the assets. Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

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

Leasehold land which in substance is an operating lease is classified as leasehold land and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

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

2.6 Intangible assets

Research and development costs

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.

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.

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

2.7 Impairment of non-financial assets

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

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

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

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

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

2.9 Financial instruments

Policy applicable from 1 January 2018

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.

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)

– 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

– the contractual cash flow characteristics of the financial asset

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

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

2.9 Financial instruments *(continued)*

Policy applicable from 1 January 2018 *(continued)*

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

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

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

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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

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

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

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

2.9 Financial instruments *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Classification and subsequent measurement of financial liabilities (continued)

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.

Trade payables

Trade payables 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)

2.10 Impairment of financial assets

Policy applicable from 1 January 2018

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.

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

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

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

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

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

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

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

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.

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)*

2.10 Impairment of financial assets *(continued)*

Policy applicable from 1 January 2018 *(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 business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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 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).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 36.2.

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

2.10 Impairment of financial assets *(continued)*

Policy applicable before 1 January 2018

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

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

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

2.11 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.

2.12 Contract liabilities

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

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

2.14 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.

2.15 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:

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

2.15 Revenue recognition *(continued)*

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.

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.

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

2.17 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.

2.18 Income tax

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

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

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

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

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

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

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

2.18 Income tax *(continued)*

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.

2.19 Goods and services tax

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

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

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

– receivables and payables that are stated with GST inclusive.

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

The Finance Ministry of Malaysia has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

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

2.20 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.

2.21 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.

2.22 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.

2.23 Related parties

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

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

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

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

2.23 Related parties *(continued)*

(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 2018

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 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 1 and IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW AND AMENDED IFRSS *(continued)*

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2018 *(continued)*

IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ECL approach for the impairment of financial assets.

When adopting IFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The adoption of IFRS 9 has impacted the following areas:

Classification and measurement of financial assets

Trade receivables and other financial assets (i.e., other receivables, refundable deposits and cash and cash equivalents) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortised cost.

The adoption of IFRS 9 did not impact the measurement for the Group's financial assets.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to recognise an allowance for ECL for all debt instruments not held at fair value through profit or loss.

The Group applies simplified approach to recognise lifetime ECL for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information. Given (i) the customers of the Group are mainly well established and financially sound companies with no history of default in prior years, the management considers the historical default rate of the financial assets to be minimal; and (ii) the customers of the Group operate in geographically stable regions where no adverse change in the business environment is anticipated, the management considers that the forward looking default rate to be minimal across all ageing bands. As a result, no provision for impairment of trade receivable is necessary.

For other financial assets measured at amortised cost, the Group applies general approach to recognise 12-month ECL as there is no significant increase in credit risk since initial recognition. After considering the factors as set out in note 2.10, the management is of opinion that ECL rate applied for other financial assets measured at amortised cost is insignificant as the risk of default is low and the outstanding balance is insignificant.

Classification and measurement of financial liabilities

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

3. ADOPTION OF NEW AND AMENDED IFRSS *(continued)*

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2018 *(continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations.

IFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard specifies that revenue is to be recognised when control over the goods or services is transferred to the customer, moving from the transfer of risk and rewards.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18.

The impact from the adoption of IFRS 15 to the Group is described below:

Timing of revenue recognition

Previously, the Group's revenue arising from sale of goods is generally recognised when the risk and rewards of ownership have been passed on to the customers. Upon adoption of IFRS 15, revenue is recognised when customer obtains control of the promised goods or services in the contract. IFRS 15 identifies three (3) situations where control of the promised goods or services is regarded as being transferred over time:

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

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

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

The Group has assessed that on-going contracts for sale of goods as at 1 January 2018 and 31 December 2018 do not fall into any of the 3 mentioned situations and therefore the adoption of IFRS 15 has no impact to the Group's financial statements. However, future sales contracts entered by the Group may contain elements which will trigger revenue from sale of goods to be recognised over time and the Group will assess the contracts from time to time.

3. ADOPTION OF NEW AND AMENDED IFRSS *(continued)*

New and amended IFRSs that are effective for annual periods beginning or after 1 January 2018 *(continued)*

IFRS 15 Revenue from contracts with customers *(continued)*

Presentation of contract liabilities

Previously, contract balances relating to deposits received from customers were presented in the consolidated statement of financial position under "Other payables, accruals and provision".

Under IFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

"Deposits received" under "Other payables, accruals and provision" (note 27) amounting to MYR116,031,000 is now included under contract liabilities (note 28).

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 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatment[1]
IFRS 9	Prepayment Features with Negative Compensation[1]
IAS 28	Long-term Interests in Associates and Joint Ventures[1]
IFRS 3	Business combinations[2]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date not yet determined

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far the Group has identified some aspects of the new and amended IFRSs that are expected to have an impact on the Group's accounting policies and are discussed below. Other new and amended IFRSs are not expected to have a material impact on the Group's financial performance and financial position.

3. ADOPTION OF NEW AND AMENDED IFRSS *(continued)*

Issued but not yet effective IFRSs *(continued)*

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated.

The Group's lease is mainly derived from hostel which the lease is currently recognised on a time proportion basis over the lease term. As at 31 December 2018, the Group did not have significant non-cancellable operating lease commitment as all leases are short-term leases. The Group may apply elective recognition exemptions for lessees under IFRS 16.

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 judgments of identifying the performance obligations and estimating the point of revenue recognition under difference contractual agreements.

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.

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 2018 and 2017 are disclosed in notes 14, 15 and 16, respectively. No impairment loss are provided for property, plant and equipment, leasehold land and intangible assets during the years ended 31 December 2018 and 2017.

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

4.2 Key sources of estimation uncertainty *(continued)*

Provision for ECL of receivables

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

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

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

The carrying amount of trade receivables as at 31 December 2018 and 2017 and details of movement in impairment of trade receivables during the current and prior years are disclosed in note 20.

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 2018 and 2017 are disclosed in note 19.

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:

	2018 MYR'000	2017 MYR'000
Invoiced value of goods sold less returns and discounts	410,650	259,335
Service rendered	6,448	12,308
	417,098	271,643

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 equipment segment and automated manufacturing solutions segments:

	2018 MYR'000	2017 MYR'000
Automated equipment		
– Telecommunications	258,723	148,022
– Semiconductor	37,857	54,949
– Automotive	30,002	12,182
– Consumer electronics	9,844	17,411
– Medical devices	24	–
– Others	1,434	–
	337,884	232,564
Automated manufacturing solution		
– Telecommunications	45,698	26,271
– Automotive	15,837	4,110
– Consumer electronics	11,502	409
– Semiconductor	3,371	7,267
– Medical devices	1,397	61
– Others	1,409	961
	79,214	39,079
	417,098	271,643
Timing of revenue recognition		
– At a point in time	417,098	271,643

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

(ii) Automated manufacturing solution: Designing, development and installation of integrated automated manufacturing solutions.

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

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

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

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated equipment MYR'000	Automated manufacturing solution MYR'000	Adjustment MYR'000	*Note*	Total MYR'000
Year ended 31 December 2018					
Revenue					
External customers	337,884	79,214			417,098
Inter-segment revenue	10,814	7,188	(18,002)	*(i)*	–
Total revenue	348,698	86,402			417,098
Results					
Segment results	93,812	8,917	910		103,639
Interest income	1,908	73			1,981
Interest expense	(188)	–			(188)
Share of results of an associate	–	–	(66)		(66)
Profit before taxation	95,532	8,990			105,366
Taxation	(5,335)	(22)			(5,357)
Profit for the year	90,197	8,968			100,009
Assets					
Segment assets	241,890	43,595	(8,289)		277,196
Interest in an associate	–	–	3,046		3,046
Cash and cash equivalents	112,110	10,897	94,698		217,705
Total assets	354,000	54,492			497,947
Liabilities					
Segment liabilities	141,498	30,993	205		172,696
Finance lease liabilities	36	–			36
Bank borrowing	3,680	–			3,680
Provision for taxation	1,151	5			1,156
Total liabilities	146,365	30,998			177,568

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated equipment MYR'000	Automated manufacturing solution MYR'000	Adjustment MYR'000	Total MYR'000
Year ended 31 December 2018				
Other information				
Additions to non-current assets	29,324	682	2,100	32,106
Depreciation and amortisation	3,123	376		3,499
Deferred income released	(131)	–		(131)
Bad debts recovery	–	(6)		(6)
Inventory written downs to net realisable value				
– addition	161	15		176
– reversal	(20)	(1)		(21)
Loss from changes in fair value of foreign currency forward contracts	5,098	173		5,271
Unrealised gain on foreign exchange	(1,114)	(1,233)	(5,975)	(8,322)
Provision for warranty				
– current year	667	69		736
– reversal	(405)	(39)		(444)

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated equipment MYR'000	Automated manufacturing solution MYR'000	Adjustment MYR'000	*Note*	Total MYR'000
Year ended 31 December 2017					
Revenue					
External customers	232,564	39,079			271,643
Inter-segment revenue	3,540	10,136	(13,676)	*(i)*	–
Total revenue	236,104	49,215			271,643
Results					
Segment results	48,684	3,457	(7,565)		44,576
Interest income	614	39			653
Interest expense	(12)	–			(12)
Share of results of an associate	–	–	(38)		(38)
Profit before taxation	49,286	3,496			45,179
Taxation	(4,479)	(4)			(4,483)
Profit for the year	44,807	3,492			40,696
Assets					
Segment assets	191,078	18,402	(126)		209,354
Interest in an associate	–	–	1,012		1,012
Cash and cash equivalents	75,452	6,190	1		81,643
Total assets	266,530	24,592			292,009
Liabilities					
Segment liabilities	142,295	10,104	7,530		159,929
Finance lease liabilities	174	–			174
Bank borrowing	4,000	–			4,000
Provision for taxation	525	–			525
Total liabilities	146,994	10,104			164,628

5. REVENUE AND SEGMENT REPORTING *(continued)*

5.2 Segment information *(continued)*

	Automated equipment MYR'000	Automated manufacturing solution MYR'000	Adjustment MYR'000	Total MYR'000
Year ended 31 December 2017				
Other information				
Additions to non-current assets	5,407	150	1,050	6,607
Depreciation and amortisation	2,631	563		3,194
Deferred income released	(384)	–	92	(292)
Gain on disposal of investment securities	(73)	–		(73)
Gain on disposal of property, plant and equipment	(7)	–		(7)
Impairment loss on trade receivables	–	106		106
Inventory written downs to net realisable value				
– addition	6	1		7
– reversal	(7)	(1)		(8)
Gain from changes in fair value of foreign currency forward contracts	(3,217)	(771)		(3,988)
Unrealised loss on foreign exchange	5,993	1,242	(5)	7,230
Provision for warranty				
– current year	405	39		444
– reversal	(118)	(77)		(195)
Property, plant and equipment written off	7	5		12

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:

	2018 MYR'000	2017 MYR'000
Singapore	**243,782**	156,389
Malaysia	**26,995**	50,061
China	**44,709**	15,570
Republic of Ireland	**31,659**	10,696
USA	**22,605**	9,351
Taiwan	**19,780**	8,844
Philippines	**2,065**	8,139
Others	**25,503**	12,593
	417,098	271,643

All non-current assets (other than financial instruments and deferred tax assets) 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:

	2018 MYR'000	2017 MYR'000
Customer A[1]	**241,465**	155,036
Customer B[2]	**42,402**	N/A

1 Revenue from the Group's automated manufacturing solutions segment and automated equipment segment

2 Revenue from the Group's automated manufacturing solutions segment. Revenue from this customer in the prior year did not exceed 10% of the Group's revenue.

6. OTHER INCOME

	2018 MYR'000	2017 MYR'000
Bank interest income	1,981	653
Deferred income released	131	292
Bad debts recovery	6	–
Net gain on foreign exchange	3,970	–
Gain on disposal of property, plant and equipment	–	7
Gain from changes in fair value of foreign currency forward contracts	–	3,988
Gain on disposal of investment securities	–	73
Rental income	302	373
Others	132	366
	6,522	5,752

7. EMPLOYEE BENEFITS EXPENSES (including directors' emoluments)

	2018 MYR'000	2017 MYR'000
Salaries, allowances, commission and bonuses	42,764	24,925
Contribution to EPF	3,996	2,611
Employee Insurance Scheme	37	–
Social Security Organisation contribution	634	388
	47,431	27,924

8. FINANCE COSTS

	2018 MYR'000	2017 MYR'000
Interest on bank borrowing	183	–
Finance charges on finance lease liabilities	5	12
	188	12

9. PROFIT BEFORE TAXATION

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

	2018	2017
	MYR'000	MYR'000
Amortisation of intangible assets	**960**	721
Amortisation of leasehold land and building	**83**	61
Auditor's remuneration	**429**	397
Deferred income released	**(131)**	(292)
Depreciation	**2,456**	2,412
Loss/(Gain) from changes in fair value of foreign currency forward contracts	**5,271**	(3,988)
Gain on disposal of property, plant and equipment	**–**	(7)
Gain on disposal of investment securities	**–**	(73)
Impairment loss on trade receivables	**–**	106
Inventory written downs to net realisable value		
– current year	**176**	7
– reversal	**(21)**	(8)
Net (gain)/loss on foreign exchange	**(3,970)**	11,440
Operating lease charges:		
– hostel	**880**	613
– office	**75**	8
Property, plant and equipment written off	**–**	12
Provision for warranty		
– current year	**736**	444
– reversal	**(444)**	(195)
Listing expenses	**1,746**	5,449

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 2018 (2017: 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:

	2018 MYR'000	2017 MYR'000
Malaysian income tax		
Current tax	**(5,446)**	(4,137)
Over/(Under) provision in prior years	**92**	(346)
	(5,354)	(4,483)
Overseas income tax		
Current tax	**(3)**	–
	(5,357)	(4,483)

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

	2018 MYR'000	2017 MYR'000
Profit before taxation	**105,366**	45,179
Income tax at Malaysian statutory tax rate	**(25,288)**	(10,843)
Share of results of an associate	**(15)**	(9)
Income not subject to tax	**473**	324
Exempt pioneer income *(note (i))*	**20,638**	8,089
Expenses not deductible for tax purposes	**(739)**	(1,972)
Difference in overseas profits tax rates	**10**	–
Deferred tax movement not recognised	**158**	(272)
Utilisation of unabsorbed tax losses and capital allowances	**(686)**	546
Over/(Under) provision in prior years	**92**	(346)
	(5,357)	(4,483)

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:

	2018 **MYR'000**	2017 MYR'000
Property, plant and equipment	**11**	(10)
Unabsorbed tax losses and capital allowances	**(3,936)**	(3,250)
Others	**(124)**	(261)
	(4,049)	(3,521)

(iii) The unabsorbed tax losses and capital allowances available to be carried forward for set-off against future assessable income of a nature and amount for the tax credits to be utilised are as follows:

	2018 **MYR'000**	2017 MYR'000
Unabsorbed tax losses and capital allowances	**(16,399)**	(13,540)

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 2018				
	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	35	1,968	–	233	2,236
Gan Pei Joo	35	579	40	70	724
Non-executive director:					
Leng Kean Yong	92	5	–	–	97
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	64	5	–	–	69
Chuah Jin Chong	64	3	–	–	67
Chan May May	64	5	–	–	69
	354	2,565	40	303	3,262

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

11.1 Directors' emoluments *(continued)*

	Year ended 31 December 2017				
	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	–	827	–	98	925
Gan Pei Joo	–	165	–	20	185
Non-executive director:					
Leng Kean Yong	–	–	–	–	–
Independent non-executive directors:					
Sim Seng Loong @ Tai Seng	–	–	–	–	–
Chuah Jin Chong	–	–	–	–	–
Chan May May	–	–	–	–	–
	–	992	–	118	1,110

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 2018 and 2017.

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 2018 included two (2017: one) director(s) whose emoluments are disclosed in note 11.1. The aggregate of the emoluments in respect of the remaining three (2017: four) individuals are as follows:

	2018	2017
	MYR'000	MYR'000
Salaries, allowances and benefits in kind	**1,130**	1,268
Bonuses	**114**	81
Contribution to EPF	**136**	162
	1,380	1,511

The above individuals' emoluments are within the following bands:

	Number of individuals	
	2018	2017
Emolument bands:		
Nil – HK$1,000,000	**3**	4

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 2018 (2017: Nil). No director or the five highest paid individual has waived or agreed to waive any emolument during the year ended 31 December 2018 (2017: 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:

	2018 MYR'000	2017 MYR'000
Earnings		
Profit for the year attributable to owners of the Company	**100,009**	39,646
Number of shares		
Weighted average number of ordinary shares	**1,591,057,534**	1,408,000,000

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of MYR100,009,000 (2017: MYR39,646,000) and the weighted average 1,591,057,534 ordinary shares in issue during the year ended 31 December 2018.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2018 includes (i) an ordinary share of the Company issued upon incorporation, (ii) additional 238,095 new ordinary shares issued on 21 July 2017 and 8 December 2017; and (iii) the 1,407,761,904 new ordinary shares issued pursuant to the Capitalisation Issue (note 24(iii)), as if all these shares had been in issue throughout the year ended 31 December 2018, and (iv) 183,057,534 shares, representing the weighted average of 192,000,000 new ordinary shares issued pursuant to the Share Offer (note 24(iii)).

The number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2017 was based on 1,408,000,000 ordinary shares, which have been adjusted retrospectively on the assumption that the Reorganisation and the Capitalisation Issue as set out in notes 1.2, 24(i) and 24(iii).

13. DIVIDENDS

Dividends attributable to the year:

	2018 MYR'000	2017 MYR'000
Proposed final dividend of HK$0.015 per ordinary share (2017: Nil)	**12,433**	–

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 2018.

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
Cost								
As at 1 January 2017	43,773	11,768	1,741	1,404	2,324	955	–	61,965
Additions	460	12	19	758	–	–	1,345	2,594
Disposals	–	–	–	–	–	(32)	–	(32)
Written off	–	(578)	(1,024)	(146)	(12)	–	–	(1,760)
As at 31 December 2017	44,233	11,202	736	2,016	2,312	923	1,345	62,767
As at 1 January 2018	44,233	11,202	736	2,016	2,312	923	1,345	62,767
Additions	436	1,475	433	1,366	100	207	24,264	28,281
Transfer during the year	25,584	–	–	–	–	–	(25,584)	–
As at 31 December 2018	**70,253**	**12,677**	**1,169**	**3,382**	**2,412**	**1,130**	**25**	**91,048**
Accumulated depreciation								
As at 1 January 2017	9,458	9,578	1,638	724	2,312	216	–	23,926
Current charge	785	933	33	473	2	186	–	2,412
Disposals	–	–	–	–	–	(32)	–	(32)
Written off	–	(572)	(1,018)	(146)	(12)	–	–	(1,748)
As at 31 December 2017	10,243	9,939	653	1,051	2,302	370	–	24,558
As at 1 January 2018	10,243	9,939	653	1,051	2,302	370	–	24,558
Current charge	897	551	49	745	3	211	–	2,456
As at 31 December 2018	**11,140**	**10,490**	**702**	**1,796**	**2,305**	**581**	**–**	**27,014**
Carrying amount								
As at 31 December 2018	**59,113**	**2,187**	**467**	**1,586**	**107**	**549**	**25**	**64,034**
As at 31 December 2017	33,990	1,263	83	965	10	553	1,345	38,209

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	2018	2017
	MYR'000	MYR'000
Motor vehicles	**249**	364

15. LEASEHOLD LAND

	2018	2017
	MYR'000	MYR'000
Cost		
At the beginning of the year	**8,705**	3,690
Additions	**–**	5,015
At the end of the year	**8,705**	8,705
Accumulated amortisation		
At the beginning of the year	**1,001**	940
Current charge	**83**	61
At the end of the year	**1,084**	1,001
Carrying amount at the end of the year	**7,621**	7,704

As at 31 December 2018, the Group's leasehold land of MYR4,995,000 (2017: MYR5,015,000) has been pledged to secure a bank loan. Details of the secured bank borrowing is set out in note 30.

16. INTANGIBLE ASSETS

	2018	2017
	MYR'000	MYR'000
Development expenditure *(note 16.1)*	**283**	350
Computer software *(note 16.2)*	**1,414**	582
Carrying amount at the end of the year	**1,697**	932

16. INTANGIBLE ASSETS *(continued)*

16.1 Development expenditure

	2018 MYR'000	2017 MYR'000
Cost		
Balance at the beginning of the year	**19,850**	19,850
Additions	**283**	–
Balance at the end of the year	**20,133**	19,850
Accumulated amortisation		
Balance at the beginning of the year	**15,910**	15,561
Current charge	**350**	349
Balance at the end of the year	**16,260**	15,910
Impairment loss	**3,590**	3,590
Carrying amount at the end of the year	**283**	350

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

16. INTANGIBLE ASSETS *(continued)*

16.2 Computer software

	2018 **MYR'000**	2017 MYR'000
Cost		
Balance at the beginning of the year	**3,467**	3,051
Additions	**1,442**	456
Written off	**–**	(40)
Balance at the end of the year	**4,909**	3,467
Accumulated amortisation		
Balance at the beginning of the year	**2,885**	2,553
Current charge	**610**	372
Written off	**–**	(40)
Balance at the end of the year	**3,495**	2,885
Carrying amount at the end of the year	**1,414**	582

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. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2018 and 2017 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
			2018	2017	
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

18. INTEREST IN AN ASSOCIATE

	2018	2017
	MYR'000	MYR'000
Cost of investment	**3,150**	1,050
Share of post-acquisition results and other comprehensive income	**(104)**	(38)
	3,046	1,012

18. INTEREST IN AN ASSOCIATE *(continued)*

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
			2018	2017	
Penang Automation Cluster Sdn. Bhd. ("PAC")	Malaysia	MYR9 million comprising 9,000,000 shares (2017: MYR3 million comprising 3,000,000 shares)	35%	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

The Group directly invested in PAC together with two Independent Third Parties in early 2017. 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 equipment supporting various industries globally. As at 31 December 2018, PAC is still in development stage and is expected to commence operations by year 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:

	2018	2017
	MYR'000	MYR'000
Non-current assets	**11,096**	–
Current assets	**1,298**	2,891
Current liabilities	**(3,699)**	(9)
Net assets	**8,695**	2,882
Revenue	**–**	–
Loss for the year and total comprehensive loss for the year	**(186)**	(109)
Dividends received from the associate	**–**	–

18. INTEREST IN AN ASSOCIATE *(continued)*

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

	2018	2017
	MYR'000	MYR'000
Net assets of PAC	**8,695**	2,882
Proportion of ownership interests held by the Group	**35%**	35%
Goodwill	**3**	3
Carrying amount of the Group's interest in an associate	**3,046**	1,012

19. INVENTORIES

	2018	2017
	MYR'000	MYR'000
Raw material	**5,174**	3,239
Work-in-progress	**131,376**	117,992
Finished goods	**1,565**	310
	138,115	121,541

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

	2018	2017
	MYR'000	MYR'000
Cost of inventories recognised as cost of sales, including:	**280,722**	194,435
– write down to net realisable value	**176**	7
– reversal of write down to net realisable value	**(21)**	(8)

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

20. TRADE RECEIVABLES

	2018	2017
	MYR'000	MYR'000
Trade receivables	**48,701**	32,754
Less: ECL allowance/Allowance for impairment loss	**–**	(106)
	48,701	32,648

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 (2017: net of provision for impairment), was as follows:

	2018	2017
	MYR'000	MYR'000
0-30 days	**3,553**	8,355
31-60 days	**3,708**	7,306
61-90 days	**10,448**	4,021
91-180 days	**15,077**	11,609
181 to 270 days	**10,352**	1,347
Over 270 days	**5,563**	10
	48,701	32,648

The movement in the ECL allowance (2017: allowance for impairment loss) of trade receivables is as follows:

	2018	2017
	MYR'000	MYR'000
Balance at the beginning of the year calculated under IAS 39 and IFRS 9	**106**	705
ECL allowance/Allowance for impairment loss	**–**	106
Written off	**(106)**	(705)
Balance at the end of the year	**–**	106

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	MYR'000	MYR'000
Other receivables	**43**	58
Refundable deposits	**1,396**	602
Non-refundable deposits *(note (i))*	**9,023**	1,053
Prepayments	**420**	1,207
GST claimable	**5,330**	3,011
Receivables from PCB *(note (ii))*	**–**	1,924
	16,212	7,855

Notes:

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

(ii) Receivables from PCB represented PCB's portion of the listing expenses incurred.

22. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The Group enters into foreign currency forward contracts to manage its exposure to sales and purchases transactions that are denominated in foreign currencies. Foreign currency forward contracts are recognised as derivatives, categorised as fair value through profit or loss and are measured at their fair values with gains or losses recognised in the profit or loss. The foreign currency forward contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting. The fair value of these contracts has been measured as described in note 36.6.

As at 31 December 2018

Notional amount	**Settlement date**	**Term**	**Forward rate**
US$30,200,000	25 March to 16 December 2019	218 to 369 days	MYR3.93 – 4.19/US$
HK$80,000,000	10 May 2019	362 days	MYR0.51/HK$

As at 31 December 2017

Notional amount	**Settlement date**	**Term**	**Forward rate**
US$23,000,000	23 April to 4 December 2018	130 to 338 days	MYR4.03 – 4.13/US$

23. CASH AND CASH EQUIVALENTS

	2018	2017
	MYR'000	MYR'000
Cash and bank balances	**114,856**	67,537
Fixed deposits with a licensed bank *(note (i))*	**65,590**	4,702
Short-term investment *(note (ii))*	**37,259**	9,404
	217,705	81,643

Notes:

(i) The fixed deposits earn from 3.20% to 3.30% (2017: 3.00%) interest per annum and have a maturity of 1 month.

(ii) The effective interest rate for the short-term investment are from 3.45% to 3.70% (2017: 3.37%) per annum and can be redeemed at any time upon notice being given to the financial institution. The short-term investment represents investment in unit trusts. The unit trusts invest in a mixture of money market instruments and fixed deposits with different maturity period.

24. SHARE CAPITAL

	2018		**2017**	
	Number of shares	**MYR'000**	**Number of shares**	**MYR'000**
Authorised:				
Ordinary shares of HK$0.01 each as at 1 January	**5,000,000,000**	**26,052**	38,000,000	208
Increase In authorised share capital *(note (ii))*	**–**	**–**	4,962,000,000	25,844
As at 31 December	**5,000,000,000**	**26,052**	5,000,000,000	26,052
Issued and fully paid:				
As at 1 January	**238,096**	**1**	–	–
Ordinary share of HK$0.01 each upon incorporation *(note (i))*	**–**	**–**	1	–*
Issuance of share capital *(note (i))*	**–**	**–**	238,095	1
Issuance of share capital pursuant to the Share Offer *(note (iii))*	**192,000,000**	**967**	–	–
Issuance of share capital pursuant to the Capitalisation Issue *(note (iii))*	**1,407,761,904**	**7,086**	–	–
As at 31 December 2018	**1,600,000,000**	**8,054**	238,096	1

* Representing HK$0.01.

24. SHARE CAPITAL *(continued)*

Notes:

(i) The Company was incorporated in the Cayman Islands on 12 June 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one share of HK$0.01 was allotted and issued at par and such share was transferred to PCB on the same day. On 17 July 2017, the Company acquired the entire issued share capital of Pentamaster Technology, Pentamaster Equipment and Pentamaster Instrumentation from PCB at a total consideration of MYR86,776,487. The consideration was settled by issuance of 999 shares of the Company to PCB on 21 July 2017. On 8 December 2017, 219,551 shares and 17,545 shares of HK$0.01 each were allotted and issued to PCB and another shareholder.

(ii) Pursuant to the written resolution of the shareholder passed on 19 December 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000 by creation of an additional of 4,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

(iii) On 18 January 2018, 192,000,000 ordinary shares of HK$0.01 each of the Company were allotted and issued at a price of HK$1 per share in relation to the public offer and placing ("Share Offer").

The proceeds of HK$1,920,000 (or MYR966,528) represents the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$190,080,000 (or MYR95,686,272), before issuing expenses, were credited to the Company's share premium account. The shares allotted and issued rank pari passu with the then existing issued shares in all respects.

Pursuant to the written resolutions of the shareholder passed on 19 December 2017, subject to the share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to allot and issue a total of 1,407,761,904 shares credited as fully paid at par by way of capitalisation of the sum of HK$14,077,619 (or MYR7,086,673) standing to the credit of the share premium account of the Company ("Capitalisation Issue"). The Capitalisation Issue was completed on 19 January 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2018 and 2017 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 2018 and 2017 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.

26. TRADE PAYABLES

The normal credit terms granted by trade payables range from 30 to 120 days. Based on the invoice date, the ageing analysis of the trade payables was as follows:

	2018 MYR'000	2017 MYR'000
0-30 days	**17,379**	13,723
31-60 days	**17,692**	6,150
61-90 days	**2,034**	2,032
91-120 days	**907**	1,457
Over 120 days	**366**	1,189
	38,378	24,551

27. OTHER PAYABLES, ACCRUALS AND PROVISION

	2018 MYR'000	2017 MYR'000
Other payables	**1,831**	1,439
Deposits received *(note)*	**–**	116,031
Accruals	**19,348**	5,691
Provision for warranty	**736**	444
	21,915	123,605

Note: This is in respect of deposits received from customers upon placing sales orders. Under IFRS 15, the balance is included in contract liabilities and disclosed in note 28.

28. CONTRACT LIABILITIES

	2018 MYR'000	2017 MYR'000
Contract liabilities arising from receiving deposits of manufacturing orders	**99,092**	–

Notes:

The Group has initially applied IFRS 9 and IFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of IFRS 15, amounts previously included as "Deposits received" under "Other payables, accruals and provision" were reclassified to contract liabilities.

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.

28. CONTRACT LIABILITIES *(continued)*

Movements in contract liabilities:

	2018
	MYR'000
Balance at the beginning of the year	**116,031**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(113,951)**
Increase in contract liabilities as a result of receiving deposits from customers upon placing sales orders as at 31 December 2018	**97,012**
Balance at the end of the year	**99,092**

29. FINANCE LEASE LIABILITIES

	2018	2017
	MYR'000	MYR'000
Total minimum lease payments:		
Due within one year	**36**	144
Due in the second to fifth years	**–**	36
	36	180
Future finance charges	**–**	(6)
Present value of finance lease liabilities	**36**	174
Present value of minimum lease payments:		
Due within one year	**36**	138
Due in the second to fifth years	**–**	36
	36	174
Less: Portion due within one year included under current liabilities	**(36)**	(138)
Portion due after one year included under non-current liabilities	**–**	36

The Group has entered into finance leases for items of motor vehicles. As at 31 December 2018, the effective interest rate of the finance lease liabilities is 2.63% (2017: 2.63%) per annum, and finance lease liabilities are secured over the leased assets.

30. BANK BORROWING

As at 31 December 2018 and 2017, the Group's bank borrowing contain a repayable on demand clause and are shown under current liabilities. The carrying amounts of bank borrowing is considered to be a reasonable approximate of their fair values. As at 31 December 2018 and 2017, the Group's bank borrowing, based on the scheduled repayment dates set out in the loan agreements, is repayable as follows:

	2018	2017
	MYR'000	MYR'000
Within one year	**334**	320
In the second year	**350**	336
In the third to fifth year	**1,158**	1,108
After the fifth year	**1,838**	2,236
	3,680	4,000

Note:

As at 31 December 2018 and 2017, the bank borrowing is secured, repayable by monthly instalments with terms of 10 years and bears interest at floating rates. The bank borrowing is denominated in MYR, with effective interest rate of 4.80% (2017: 4.75%) per annum. The bank borrowing is secured by the leasehold land of the Group (note 15) and corporate guarantee as provided by PCB up to a limit of MYR4,000,000 (2017: MYR4,000,000). The corporate guarantee by PCB was released and has replaced by a corporate guarantee to be given by the Company in 2018. In the opinion of directors of the Company, the Group is not required to incur significant additional cost in obtaining the said corporate guarantee.

Further details of the Group's management of interest rate risk were set out in note 36.4.

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.

31. DEFERRED INCOME

	2018	2017
	MYR'000	MYR'000
Balance at the beginning of the year	**419**	451
Received during the year	**–**	260
Released to profit or loss	**(131)**	(292)
Balance at the end of the year	**288**	419

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.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities are as follows:

	Amount due to ultimate holding company MYR'000	Bank borrowing MYR'000	Finance lease liabilities MYR'000	Total MYR'000
As at 1 January 2018	**10,799**	**4,000**	**174**	**14,973**
Cash flows	**(2,592)**	**(320)**	**(138)**	**(3,050)**
As at 31 December 2018	**8,207**	**3,680**	**36**	**11,923**
As at 1 January 2017	10,346	–	306	10,652
Cash flows	453	4,000	(132)	4,321
As at 31 December 2017	10,799	4,000	174	14,973

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 MYR'000	2017 MYR'000
ASSETS			
Non-current asset			
Interests in subsidiaries		**86,776**	86,776
Current assets			
Other receivable and prepayment		**157**	2,854
Cash and cash equivalents		**94,698**	1
		94,855	2,855
Total assets		**181,631**	89,631
EQUITY AND LIABILITIES			
Share capital	*24*	**8,054**	1
Reserves *(note)*		**164,964**	80,258
Total equity		**173,018**	80,259
LIABILITIES			
Current liabilities			
Accruals		**383**	853
Amount due to ultimate holding company		**8,227**	–
Amount due to a subsidiary		**3**	8,519
Total liabilities		**8,613**	9,372
Total equity and liabilities		**181,631**	89,631

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

Note:

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

	Share premium MYR'000 *(note 25)*	Capital reserves MYR'000 *(note 25)*	Accumulated losses MYR'000 *(note 25)*	Proposed final dividend MYR'000 *(note 13)*	Total MYR'000
As at 1 January 2018	–	86,776	(6,518)	–	80,258
Loss and total comprehensive loss for the year	–	–	(230)	–	(230)
Issuance of share capital pursuant to the Share Offer *(note 24)*	92,022	–	–	–	92,022
Issuance of share capital pursuant to the Capitalisation Issue *(note 24)*	(7,086)	–	–	–	(7,086)
2018 final dividends proposed *(note 13)*	–	–	(12,433)	12,433	–
As at 31 December 2018	**84,936**	**86,776**	**(19,181)**	**12,433**	**164,964**

Gan Pei Joo
Director

Chuah Choon Bin
Director

34. CAPITAL COMMITMENT

	2018 MYR'000	2017 MYR'000
Contracted but not provided for		
– Property, plant and equipment	**18,155**	23,616

35. 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
Pentamaster Smart Solution Sdn. Bhd. ("Pentamaster Smart Solution")	Entity controlled by the ultimate holding company

(b) Related party transactions

	2018 MYR'000	2017 MYR'000
Purchase from Pentamaster Smart Solutions	**971**	748
Management fee expenses to PCB	**–**	2,221
Rental income from:		
– Pentamaster Smart Solution	**94**	108
– PCB	**208**	265

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.

35. 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:

	2018	2017
	MYR'000	MYR'000
Employees' salaries, allowances and bonuses	**6,718**	3,600
Contribution to EPF	**714**	431
	7,432	4,031

(d) Balances with related parties

	2018	2017
	MYR'000	MYR'000
Amount due to a fellow subsidiary:		
Trade nature:		
– Pentamaster Smart Solution	**6**	555
Amount due to ultimate holding company:		
Non-trade nature:		
– PCB	**8,207**	10,799

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.

36. 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.

36.1 Categories of financial assets and liabilities

	2018	2017
	MYR'000	MYR'000
Financial assets		
Financial assets at fair value through profit or loss		
– Derivative financial assets	**–**	461
Financial assets at amortised cost		
– Trade receivables	**48,701**	32,648
– Other receivables and deposits	**1,439**	2,584
– Cash and cash equivalents	**217,705**	81,643
	267,845	117,336
Financial liabilities		
Financial liabilities at fair value through profit or loss		
– Derivative financial liabilities	**4,810**	–
Financial liabilities measured at amortised cost		
– Trade payables	**38,378**	24,551
– Other payables, accruals and provision	**21,179**	7,130
– Amount due to ultimate holding company	**8,207**	10,799
– Amount due to a fellow subsidiary	**6**	555
– Bank borrowing	**3,680**	4,000
– Finance lease liabilities	**36**	174
	76,296	47,209

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

36.2 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 36.1. The maximum exposure as at 31 December 2018 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 2.10, 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. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The Group applies simplified approach to recognise lifetime ECL for all trade receivables. The ECL calculated by the Group are not significantly under IFRS 9 as at 31 December 2018.

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 2018, 1% (2017: 20%) of the total trade receivables were due from the Group's largest customer and 61% (2017: 67%) 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.

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

36.2 Credit risk *(continued)*

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables 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. 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 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 2.10 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.

36.3 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 2018 and 2017, 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.

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

36.3 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 2018					
Non-derivative financial liabilities					
Trade payables	**38,378**	**–**	**–**	**38,378**	**38,378**
Other payables and accruals	**21,179**	**–**	**–**	**21,179**	**21,179**
Amount due to ultimate holding company	**8,207**	**–**	**–**	**8,207**	**8,207**
Amount due to a fellow subsidiary	**6**	**–**	**–**	**6**	**6**
Bank borrowing	**3,680**	**–**	**–**	**3,680**	**3,680**
Finance lease liabilities	**36**	**–**	**–**	**36**	**36**
	71,486	**–**	**–**	**71,486**	**71,486**

	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 2017					
Non-derivative financial liabilities					
Trade payables	24,551	–	–	24,551	24,551
Other payables and accruals	7,130	–	–	7,130	7,130
Amount due to ultimate holding company	10,799	–	–	10,799	10,799
Amount due to a fellow subsidiary	555	–	–	555	555
Bank borrowing	4,000	–	–	4,000	4,000
Finance lease liabilities	144	36	–	180	174
	47,179	36	–	47,215	47,209

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

36.3 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 2018				
Bank borrowing	**503**	**2,013**	**2,025**	**4,541**
As at 31 December 2017				
Bank borrowing	503	2,013	2,517	5,033

36.4 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 deposits and finance lease arrangement 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 2018, 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:

	2018 MYR'000	2017 MYR'000
Variable rate instruments		
Financial liabilities	**3,680**	4,000
Fixed rate instruments		
Financial assets	**102,849**	14,106
Financial liabilities	**36**	174
	102,885	14,280

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

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

36.5 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	Hong Kong Dollar ("HK$")
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
As at 31 December 2018					
Trade receivables	**42,502**	**174**	**480**	**–**	**–**
Cash and cash equivalents	**9,908**	**330**	**113**	**192**	**94,696**
Trade payables	**(1,723)**	**(38)**	**(184)**	**–**	**–**
Net exposure	**50,687**	**466**	**409**	**192**	**94,696**
As at 31 December 2017					
Trade receivables	15,892	–	2,991	–	–
Cash and cash equivalents	61,232	11	99	201	–
Trade payables	(3,824)	–	(232)	–	–
Net exposure	73,300	11	2,858	201	–

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

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

36.5 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$ and HK$. These sensitivity rates represent the management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit	Decrease in equity
		MYR'000	MYR'000
As at 31 December 2018			
US$	**8%**	**3,082**	**3,082**
HK$	**9%**	**6,477**	**6,477**
As at 31 December 2017			
US$	11%	6,128	6,128

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.

36.6 Fair value

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 of significant 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

Level 3: unobservable inputs for the asset or liability

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

36.6 Fair value *(continued)*

	Level 1	**Level 2**	**Level 3**	**Total**
	MYR'000	MYR'000	MYR'000	MYR'000
Financial assets/(liabilities):				
As at 31 December 2018				
Foreign currency forward contract liabilities	**–**	**(4,810)**	**–**	**(4,810)**
As at 31 December 2017				
Foreign currency forward contract assets	–	461	–	461

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2018 (2017: Nil).

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

37. 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 is as follows:

	2018	2017
	MYR '000	MYR '000
Borrowings	**3,716**	4,174
Less: Cash and cash equivalents	**(217,705)**	(81,643)
Net cash	**(213,989)**	(77,469)
Total equity	**320,379**	127,381
Net debt to equity ratio	**N/A**	N/A