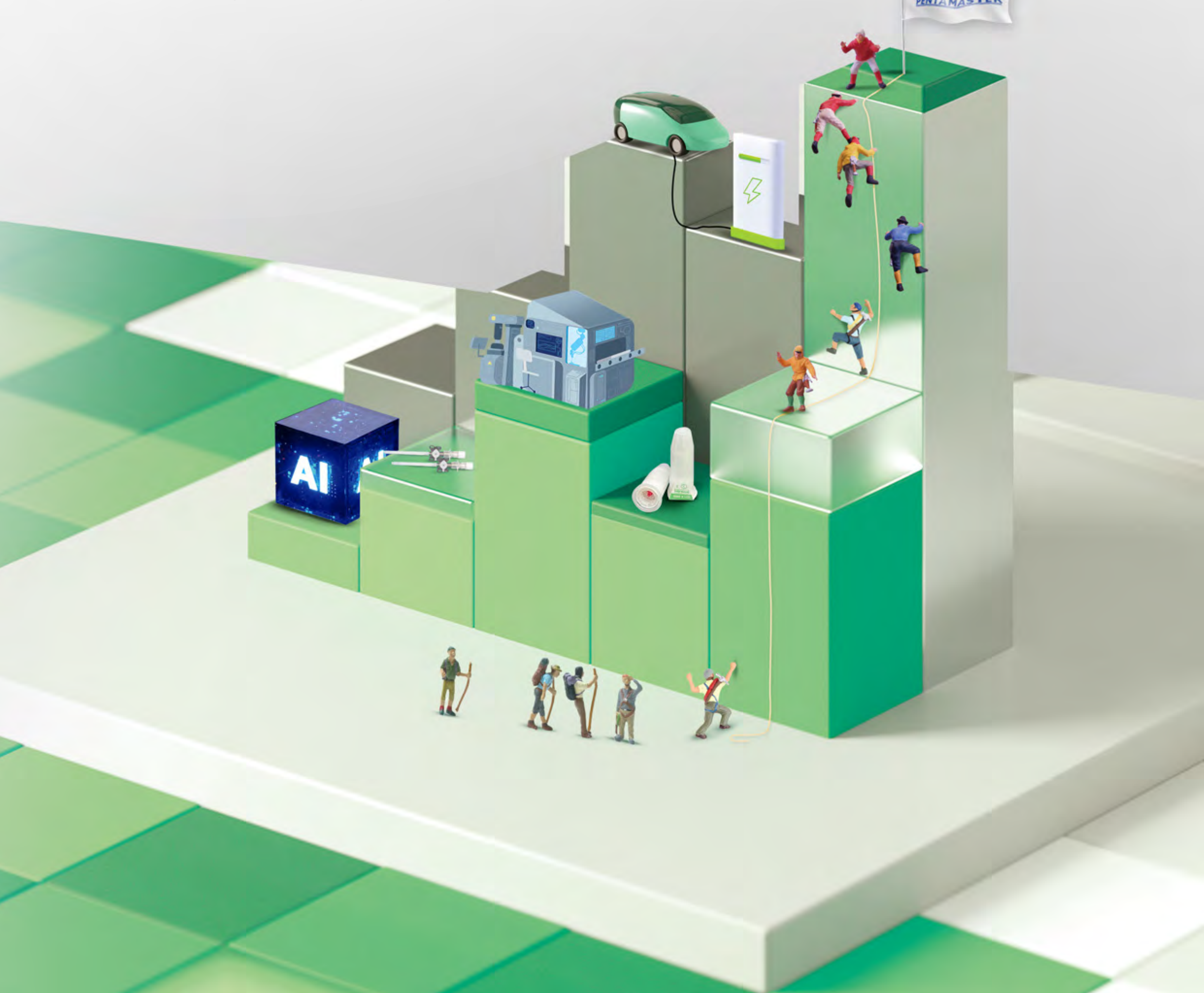
PENTAMASTER

PENTAMASTER CORPORATION BERHAD

200201004644 (572307-U)

SOAR TO GREATER HEIGHTS

ANNUAL REPORT **2022**



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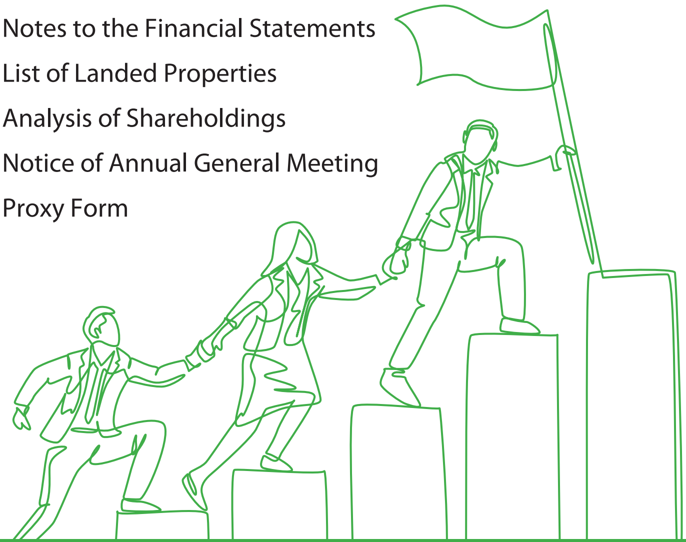
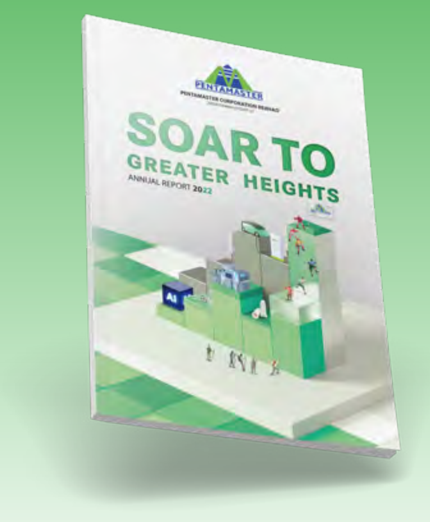


Vision

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

Mission

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



About The Cover

SOAR TO GREATER HEIGHTS

Pentamaster Corporation Berhad inspires each and every of its subsidiaries and stakeholders to achieve greater heights, leveraging on each other's strength across the diversified ecosystem that has been in place, across the various industries that it serves, like a twilling upward momentum spiral.

"Think Automation, Think Pentamaster" – a strong enduring vision tagline that the Company believes truly in that will continue to serve and position the Group towards a sustainable growth in the years to come, capitalising on the technology growth trend to mark the Company's global footprint and recognition as it transitions into the new technology era.

Corporate Information

BOARD OF DIRECTORS

CHUAH CHOON BIN
Executive Chairman

GAN PEI JOO
Executive Director

LEE KEAN CHEONG
Independent Non-Executive Director

ROSLINDA BINTI AHMAD
Independent Non-Executive Director
(Appointed w.e.f. 7 April 2023)

DATO' LOH NAM HOOI
Non-Independent Non-Executive Director
(Re-designated w.e.f. 7 April 2023)

LENG KEAN YONG
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
LEE KEAN CHEONG
Independent Non-Executive Director

Members
DATO' LOH NAM HOOI
Non-Independent Non-Executive Director

ROSLINDA BINTI AHMAD
Independent Non-Executive Director

COMPANY SECRETARIES

ADELINE TANG KOON LING (LS 0009611)
SSM PC No: 202008002271

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

AUDITORS

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS

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

Tel : 04-646 9212
Fax : 04-646 7212
Website : www.pentamaster.com.my

REGISTERED OFFICE

35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya, Penang
Tel : 04-397 6672
Fax : 04-397 6675

SHARE REGISTRAR

SECURITIES SERVICES (HOLDINGS) SDN. BHD.
Suite 18.05, MWE Plaza
No. 8, Lebuh Farquhar
10200 Penang
Tel : 04-263 1966
Fax : 04-262 8544

BANKERS

AmBank (M) Berhad
Bank of China (Malaysia) Berhad
Bank of China (Hong Kong) Limited
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
M & A Securities Sdn. Bhd.
Phillip Mutual Berhad
Public Bank Berhad
RHB Asset Management Sdn. Bhd.
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

MAIN MARKET OF
BURSA MALAYSIA SECURITIES BERHAD
("BURSA MALAYSIA")
Sector : Technology
Stock Name : Penta
Stock Code : 7160

Corporate Structure

AS AT 14 APRIL 2023

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

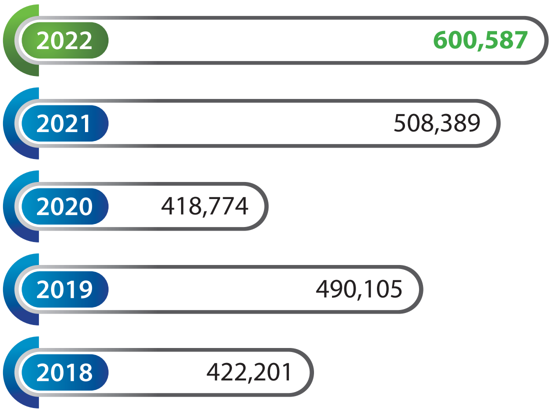
- **100%** — **Origo Ventures (M) Sdn. Bhd.**
  201401027996 (1104082-X)
  (Malaysia)
  ("Origo")
- **100%** — **Pentamaster Smart Solution Sdn. Bhd.**
  200301023077 (625497-H)
  (Malaysia)
  ("Pentamaster Smart Solution")
- **63.90%** — **Pentamaster International Limited 檳傑科達國際有限公司**
  (MC-323853)
  (Cayman Islands)
  ("Pentamaster International")
  - **100%** — **Pentamaster Technology (M) Sdn. Bhd.**
    199501007290 (336488-H)
    (Malaysia)
    ("Pentamaster Technology")
    - **100%** — **Pentamaster Technology (Jiangsu) Limited**
      91320507MA25TXWQXP
      (China)
      ("Pentamaster Jiangsu")
    - **100%** — **Pentamaster Technology (M) Sdn. Bhd. (Singapore Branch)**
      T18FC0094F
      (Singapore)
    - **100%** — **Pentamaster Automation (Japan) Co., Ltd.**
      1020003020389
      (Japan)
      ("Pentamaster Japan")
    - **35.64%** — **Penang Automation Cluster Sdn. Bhd.**
      201601021441 (1192380-V)
      (Malaysia)
    - **100%** — **Pentamaster Automation (Germany) GmbH**
      HRB 283547
      (Germany)
      ("Pentamaster Germany")
  - **100%** — **Pentamaster Instrumentation Sdn. Bhd.**
    200301034952 (637373-M)
    (Malaysia)
    ("Pentamaster Instrumentation")
  - **100%** — **Pentamaster Equipment Manufacturing Sdn. Bhd.**
    200601029409 (749166-A)
    (Malaysia)
    ("Pentamaster Equipment")
    - **100%** — **Pentamaster Equipment Manufacturing, Inc.**
      (82-4120867)
      (U.S.)
    - **100%** — **TP Concept Sdn. Bhd.**
      201001040387 (924312-H)
      (Malaysia)
      ("TP Concept")
  - **100%** — **Pentamaster MediQ Sdn. Bhd.**
    202001017008 (1373328-W)
    (Malaysia)
    ("Pentamaster MediQ")
- **100%** — **Pentamaster InnoTeq Sdn. Bhd.**
  202101030723 (1431023-V)
  (Malaysia)
  ("Pentamaster InnoTeq")

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

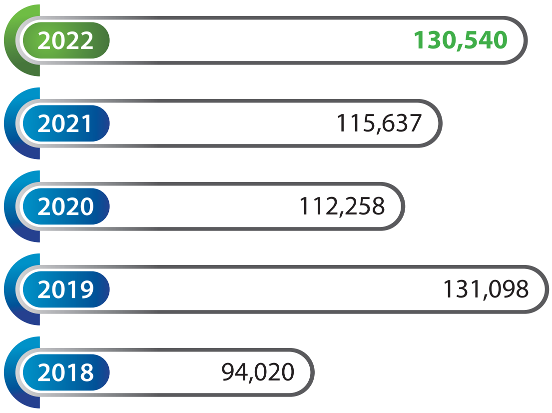
Financial Summary

	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
Revenue	**600,587**	508,389	418,774	490,105	422,201
Profit before taxation	**132,084**	119,466	113,140	138,897	99,607
Profit after taxation	**130,540**	115,637	112,258	131,098	94,020
Profit attributable to:					
Owners of the Company	**82,419**	72,911	70,885	83,042	57,117
Non-controlling interests	**48,121**	42,726	41,373	48,056	36,903
ASSETS AND LIABILITIES					
Total assets	**1,158,169**	984,514	833,101	737,570	646,038
Total liabilities	**265,428**	188,895	127,798	141,684	171,580
Net assets	**892,741**	795,619	705,303	595,886	474,458

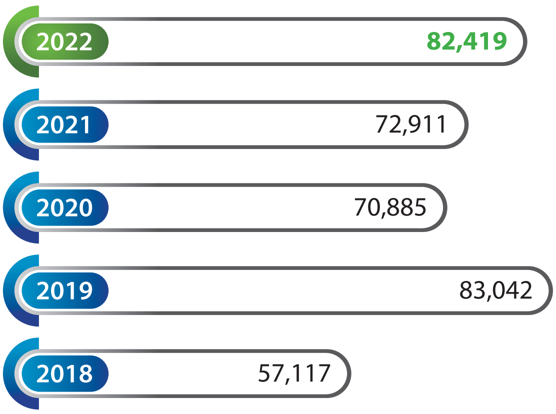
REVENUE
(RM'000)



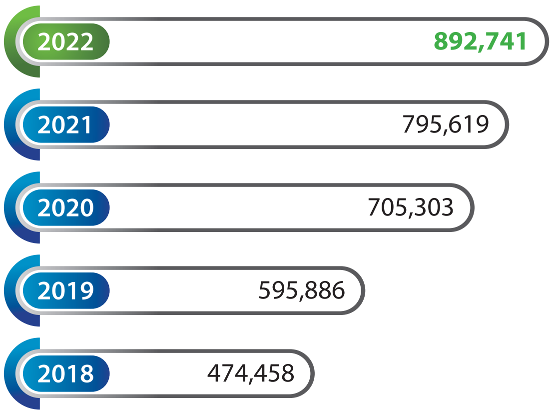
PROFIT AFTER TAXATION
(RM'000)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



NET ASSETS
(RM'000)



CHUAH CHOON BIN
Executive Chairman

Dear Shareholders,

In 2022, Malaysia (and most countries) transitioned to an endemic phase after two years of COVID-19 pandemic, which posed significant challenges to the country, to the people and the business environment as a whole. The Group was not spared as we faced multiple challenges from capacity limitation to supply chain volatility and from logistical disruptions to operational difficulties. Further stressing the endemic phase recovery was the geopolitical tension between major superpowers which has continued to impact global economies negatively and led us to the current inflationary environment with the rising material costs and other indirect costs. With all these headwinds, nevertheless, I am proud of my team in steering the Group to achieve a remarkable milestone with a record revenue in our 32 years of operation. For the first time, the Group's revenue exceeded RM600 million, a double-digit commendable 18.1% year-on-year growth rate, with profit after taxation stood at RM130.5 million. The journey towards this achievement was not easy and I am really appreciative and thankful to my team, my customers, my suppliers and all other stakeholders in supporting me in facing the challenges together to making this milestone possible.

The Year in Review

The Group witnessed year-on-year revenue growth in most of its business segments in the financial year 2022. Specifically, the automotive and medical devices segments witnessed extraordinary growth trend above the rest, at 144.3% and 188.7% respectively, on a year-on-year basis. The Group's strategic business plan in diversifying across different industries and segments, and moving towards higher value added product and solutions have paid off slowly and propelled the Group to achieve such double digit growth rate.

In 2022, the automotive segment formed the largest share of wallet to the Group's revenue at 42.4%. The growth was driven by an industrial structural shift in the automotive segment as global automotive and its related component companies engaging more actively for our complete solution product line, from front-end wafer level burn in tester to back-end module burn in test handler involving silicon carbide ("SiC") and integrated power modules. In contrast, our electro-optical industry's revenue contribution dropped to 19.5% in 2022, a decrease of 47.4% from the previous year, as the smartphone and consumer electronics market lack catalyst to spur demand consumption, especially more so in the current economic uncertainty and inflationary environment.

The Year in Review (Cont'd)

Aside from automotive, our medical devices segment witnessed admirable growth as well during the year, with its contribution to the Group's revenue increasing to 14.1% from 5.8% in 2021. This was driven by the Group's factory automation solutions for the healthcare industry and intravenous catheter ("IVC") assembly machine. Such demand in a highly regulated industry also speaks volume of the Group's capabilities of our products and solutions. Looking ahead, we expect the demand for our intelligent Automated Robotic Manufacturing System ("i-ARMS") factory automation solutions from the medical device segment to continue to grow in 2023. This expectation is based on our customers' plant expansion plans in production capacity, which require additional manufacturing automation line. Besides the medical devices segment, our i-ARMS for factory automation solutions has started to make inroads into food and beverage and automotive segments. We believe that this segmental expansion will contribute positively to the growth of our factory automation solutions division and we expect this contribution to grow to 40% of the Group's revenue in the immediate term.

Initiatives for Growth

The Group has been growing organically throughout the years and as we reach certain platform, we do not discount the importance of geographical expansion in a risk-adverse mode given the current deglobalisation and bipolarisation environment. In this context, in addition to our existing presence outside of Malaysia in the United States, China, Japan and Singapore, we have established our sales and service office in Germany in quarter 1 of 2023 with plans to establish offices in Indonesia and the Middle East as our next geographical footprint. Having said that, our immediate growth strategy is to capitalise on the growth momentum in the automotive, medical as well as warehouse automation segments.

In the automotive segment, we will leverage our expertise and know-how in integrated power module to meet higher market demand for SiC and integrated power module with our comprehensive end-to-end solutions. We are proud to have developed a proprietary SiC wafer burn-in system, being one of the top four manufacturers in the world, in creating a niche market space for this growth sub-segment and to solidify our position in the automotive industry.

Likewise for our medical segment, we intend to maximise our investment in TP Concept to expand our technological know-how and capabilities in our i-ARMS solutions for medical automation and healthcare industry. We will also be moving down the value chain in developing our own single-use medical devices for the medical industry as OEM (original equipment manufacturer) and ODM (original design manufacturer). We also plan to achieve growth by hiring experienced engineers in medical field and expanding our geographical coverage into key markets such as the United States, India, Indonesia, the Middle East and China.

In the warehouse automation segment, we have developed a smart, cost-effective and small footprint automated warehouse solutions for manufacturing and logistic companies that could allow these companies to have an efficient warehousing solution. Our smart warehouse system has a comprehensive set of software and robots to manage inventory, track shipments and optimise warehouse operations. By automating data collection and analysis, our smart warehouse system can help our customers to make informed decisions on their inventory, staffing and shipping.

Lastly, to further support the growth plans that we have outlined, our third plant measuring approximately 600,000 square feet on a 12-acre industrial land will have its phase one targeted to be up by end of 2023 and phase two in second half of 2024. This new manufacturing facility will provide the Group with the much needed space for research laboratories, manufacturing floors and offices for increased production capacity, research and development activities and engineering staffing.

Appreciation

I would like to express my gratitude to all the employees who have contributed greatly to the success of our Company. Your hard work and sacrifices have been instrumental in our growth and we recognise that you are our key assets and enablers.

I also extend my appreciation to the Board members for their invaluable support and guidance, which have been crucial in driving our progress.

Furthermore, I would like to thank our suppliers for their contribution to our Company's success. The supply chain ecosystem is an integral part of our operations and we appreciate your efforts in making us whole.

Lastly, I am grateful to my almighty God, who has blessed us with wisdom and opportunities that have enabled us to achieve our goals. Your blessings have been instrumental in our journey towards success.

CHUAH CHOON BIN
Executive Chairman

BUSINESS REVIEW

Looking back in 2022, it was a year of transition as Malaysia transitioned to an endemic phase after two arduous years of COVID-19 pandemic. The first half of the financial year remained challenging to the Group's operating environment due to the effects of post COVID-19 as the Group managed to embrace and adapt to these challenges gradually and sustainably. Key to these challenges were the volatility in global supply chain, including but not limited to constrained cargo capacity and logistical challenges, and the continued rise in cost of materials from the global demand and supply equilibrium. The challenges over the year was further compounded by the ongoing conflict between Russia and Ukraine, together with the geopolitical tension between the United States and China, which has not only triggered a global price fluctuation in key material and commodities, but also raised the growing risk of economic fragmentation and uncertain trade relations. Given the aforementioned operating environment, the Group's revenue exceeded RM600 million for the first time, chalking a new revenue record.

For financial year ended 2022, the Group reported RM600.6 million revenue, which represented a double-digit growth of 18.1% as compared to 2021. Such revenue milestone demonstrated how the Group has grown by a magnitude of almost 10 times in just over a decade, where in 2012 the Group's revenue only stood at RM56.9 million. In tandem with the record revenue, the profit after taxation of the Group stood at RM130.5 million, registering an improvement of 12.9% in comparison to 2021. Overall, such encouraging financial performance demonstrated the Group's business strategies and its sustainable focus approach in pre- and during the peak of the COVID pandemic, as well as in the aftermath as the world herald a return to "normalcy" in the second half of 2022.

In the year under review, the Group witnessed year-on-year revenue growth in most of its business segments. Notably, the revenue momentum from both the automotive and medical devices segments saw explosive growth year-on-year at a level of 144.3% and 188.7% respectively. Over the last five years, the Group has been strategically implementing its structural shift towards higher growth segments, namely the automotive and medical devices segment to diversify its revenue base and exposure. In today's context, the extensive amount of revenue contribution from the automotive segment speaks volume of the market acceptance of the Group's comprehensive product portfolio for the automotive industry. On the other spectrum, the Group's electro-optical segment and consumer and industrial products segment contracted by 47.4% and 24.3% respectively in 2022 as compared to 2021.

Given the robustness in automotive electrification, the Group's exposure in the automotive segment increased to 42.4% of total revenue, forming the largest share of wallet for the Group in 2022. During the year, the Group experienced a pick-up demand for its broad portfolio of automotive test solutions, in particular its front-end wafer level burn in tester for SiC and back-end solutions for integrated power modules. Such growth in demand for the Group's products and solutions aligned well with the opportunity presented by the global structural shift towards sustainable e-mobility with more stringent decarbonisation target. With more major second-tier automotive component suppliers committing significant capital spending towards such focus, such scenario bodes well for demand of the Group's automotive test solutions. As it is, the Group has been securing new customers in the automotive space and is well positioned to continue to capture a greater share in the automotive addressable market. Estimates from integrated design manufacturer that semiconductors content per each electric vehicle ("EV") is roughly 2x that of conventional combustion engine vehicle. Additionally, automotive semiconductors must retain high level functionality that can withstand extreme environments besides having longer life-span cycle. Market size wise, the EV market was only 8% of total automotive industry market share in 2021. With the decarbonisation targets set, coupled with government policies in place, the market size for EV could hit 6x from 2021 level in 2030. In current worldwide supply chain disruptions alongside auto chip shortages, capacity expansions and planning by global automotive companies for such structural evolution bodes well for the Group.

After dominating the Group's revenue for five years consecutively since 2017, the electro-optical industry's revenue contribution dropped to 19.5% in 2022 as opposed to 43.9% in 2021. This represented an overall decrease of 47.4%. As it is, the smartphone market exhibited insufficient impetus in driving demand, given low users' adjustments and replacement, and lack of new smart sensors' development. The overall industry's muted performance is also the result of inflation and component shortages, besides geopolitical tension that led to most of the smartphone brand makers re-adjusting its inventory and supply chain in de-globalising their respective operations. During the year under review, demand for the Group's existing smart device test solutions were mainly confined to module upgrade and conversion kits. However, in the near term, the smartphone brand makers are seen focusing and improving on optical imaging performance and along with this development, the Group is witnessing a short-term shift towards optical imaging technology and sensors, with a broader adoption of optoelectronics across the electronic hardware. According to Transparency Market Research, the global optoelectronics market is still estimated to grow at a CAGR (Compound Annual Growth Rate) of 9.1% from 2022 to 2031, supported by increased usage in communication systems, displays, remote sensing, optical storage and cameras. As this trend continues, the Group is working on certain prototype projects for new sensors application in the next- generation smartphone and its peripherals.

BUSINESS REVIEW (CONT'D)

After witnessing a decline in revenue contribution last year, the medical devices segment marked a turnaround during the year and grew at an accelerated pace. With its contribution to the Group's revenue at 14.1% from 5.8% in 2021, this year saw the demand for the Group's automation solution from the healthcare industry and IVC assembly machine trending up. Consequently, revenue from this segment rose encouragingly year-on-year by 188.7%. Capitalising on the technical expertise of TP Concept following its acquisition in 2019, the Group benefitted from the growing trends of automation in the healthcare sector and is set to embrace more opportunities from the revolution in medical automation. Given the rise of data-driven physicians, advances connected to robotics, artificial intelligence and machine learning will continue to change the healthcare sector. It is estimated that a third of more than U.S. Dollar 4 trillion healthcare market size could be automated and be replaced by technologies. McKinsey predicted that as much as half of current healthcare work activities will be automated by 2055.

As for the progress of the business activity involving the single-use medical devices under Pentamaster MediQ, a subsidiary company which was incorporated in 2020, the Group is heartened to witness the completion of the IVC prototyping and given this development, the Group is set to undergo the conformity and qualification process to be approved by the relevant approving authority in due course. Post qualification, the Group will exploit its strength in medical automation to manufacture on an OEM (original equipment manufacturer) and ODM (original design manufacturer) basis for its single-use medical devices.

In the context of the Group's revenue exposure in the semiconductor segment, after reporting three consecutive years of revenue growth, the Group continued to witness a year-on-year growth of 15.9% with its revenue contribution rate of 14.0% in 2022. The increasing value and content of semiconductors in general from the acceleration of digital transformation basically augmented demand for the Group's test handling equipment during the year. At the heart of the present digital revolution, semiconductor industry is seen evolving at a relentless pace where efforts are aimed at improving the performance of the semiconductor chips, thereby creating the structural change and continuous demand in the test handling equipment market. With the semiconductor market set to hit a trillion U.S. Dollar by 2030, the sectors that will continue to see robust growth with continuous Moore's law are witnessed in data storage, wireless communication, automotive and industrial electronics. Notwithstanding the cyclical nature of the semiconductor industry due to the investment trend and inventory cycle of the semiconductor companies, as long as the digital revolution is here to stay in propelling the semiconductor performance evolution and application expansion, the demand for the Group's legacy product portfolio within this segment will continue in a sustainable manner.

Revenue from the consumer and industrial products segment grew by 43.3% in the first half of 2022 as compared to the first half of 2021. However, the revenue pace from this segment decelerated in the second half of the year specifically in the fourth quarter following the massive and sequential deployment of the Group's proprietary i-ARMS that was recognised in the first half of the year. It is worthy to note the production cycle time for i-ARMS to be deployed in the consumer and industrial products are typically longer versus other business segments. Regardless, the Group believes the sluggish demand from this segment to be temporary given the rising emphasis in industrial automation as Industry 4.0 continue to be in focus for increase in efficiencies and operational excellence. To this end, the Group anticipates the market demand for its i-ARMS from this segment to rebound in 2023. Such sentiment is established based on the various plant expansion plans in production capacity undertaken by its customers which requires manufacturing automation.

While globally 2022 was yet another challenging year, for the Group it was encouraging to witness progress with various record milestones and performances coupled with new technologies and initiatives. Given the multifaceted headwinds witnessed since the pandemic outbreak, the Group has once again demonstrated its perseverance and adaptability by sharpening its focus towards its business strategies and fundamental priorities, such as managing the supply chain disruptions and safeguarding the wellbeing of its employees. Learning from the past and picking up from where it has left, it was worthy to mention that the Group's performance in 2022 was not solely due to the overall recovery in the economy but the agility and resiliency of the Group's business model and value creation that had enabled the Group to maintain a sustainable path of growth amidst a global tailspin.

BUSINESS REVIEW (CONT'D)

The following table sets out revenue breakdown by customers' segment for both the automated test equipment ("ATE") and factory automation solutions ("FAS") segments:

By industry

For the year ended 31 December

	2022		2021	
	RM'000	**%**	RM'000	%
Automotive	**254,856**	**42.4**	104,322	20.5
Electro-Optical	**117,409**	**19.5**	223,067	43.9
Medical devices	**84,581**	**14.1**	29,293	5.8
Semiconductor	**84,001**	**14.0**	72,449	14.2
Consumer and industrial products	**59,740**	**10.0**	78,955	15.5
Others	**-**	**-**	303	0.1
	600,587	**100.0**	508,389	100.0

Geographically, the Group has broadened and deepened its foothold into China as depicted by the revenue growth of 58.0% from this region as compared to the exposure in 2021. Overall, the top five shipment markets from China (inclusive of Hong Kong), Malaysia, Vietnam, Singapore and Taiwan accounted for approximately 90.0% of the Group's revenue in 2022 as opposed to the contribution rate of 88.3% from the top five markets in 2021.

By shipment

For the year ended 31 December

	2022		2021	
	RM'000	**%**	RM'000	%
China	**271,431**	**45.2**	171,829	33.8
Malaysia	**180,089**	**30.0**	77,062	15.1
Vietnam	**40,284**	**6.7**	8,375	1.6
Singapore	**24,716**	**4.1**	30,893	6.1
Taiwan	**24,259**	**4.0**	92,911	18.3
Japan	**19,928**	**3.3**	76,376	15.0
United States	**12,018**	**2.0**	18,771	3.7
Thailand	**6,303**	**1.1**	9,699	1.9
India	**6,180**	**1.0**	3,412	0.7
Philippines	**4,898**	**0.8**	12,666	2.5
Others	**10,481**	**1.8**	6,395	1.3
	600,587	**100.0**	508,389	100.0

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Amidst a dynamic headwind faced at the macroeconomic front, 2022 has been an exceptional year for the Group where the Group achieved another record level for its revenue at RM600.6 million, which was 18.1% higher than the preceding year. The double-digit growth in revenue was primarily driven by the continuous improved contributions from both the ATE and FAS business segments with each segment accounted for approximately 70.1% and 29.9% of the total Group's revenue. In 2021, revenue contribution from the ATE and FAS business segments was similar at 70.1% and 29.9% respectively.

The below outlined the revenue of the respective operating segments, which includes elements of the inter-segment transactions during the year.

	Revenue		
	2022	2021	Fluctuation
	RM'000	RM'000	%
ATE			
External customers	**420,716**	356,327	18.1%
Inter-segment revenue	**83,471**	2,060	
Total revenue	**504,187**	358,387	
FAS			
External customers	**179,871**	151,759	18.5%
Inter-segment revenue	**5,068**	3,542	
Total revenue	**184,939**	155,301	
Smart Control Solution System			
External customers	**-**	303	(100.0%)
Inter-segment revenue	**450**	114	
Total revenue	**450**	417	

ATE segment

The ATE segment, being the Group's main revenue source, continued to contribute the larger portion of the Group's overall revenue and profit during the year. After marking a turnaround in 2021 with its double-digit growth rate of 25.9%, total revenue from this segment continued to grow at 18.1% to RM420.7 million in 2022. During the year, backed by the electrification in the automobile industry and the proliferation of the EV ecosystem, the automotive industry emerged as the leading segment within the ATE business unit, contributing approximately 58.4% as compared to 27.6% in the previous year. Such significant growth of the automotive segment within the ATE business unit at an astounding rate of 150.1% did not only signify the Group's encouraging milestone in penetrating the automotive industry but was a testament to the Group's comprehensive products and solutions offering for the automotive industry. Underpinned by a massive wave of developments in automotive electrification and the various global decarbonisation policies which accelerated the adoption of EV, the Group's broad array of automotive test solutions specifically the front-end tester for SiC and back end solutions for power devices made a meaningful breakthrough in the addressable market.

On the other hand, while the semiconductor industry is inherently cyclical, the ATE segment also benefitted from the semiconductor industry with its revenue contribution rate of 19.9%, representing an overall 17.6% growth as compared to 2021. Given the wide application of semiconductor contents in multiple industries from computer, telecommunication, healthcare, automotive to general industrial application coupled with the growing adoption of consumer electronics from the rapid urbanisation and improved living standards, the market growth of semiconductor production continues to bring opportunities and demand for the Group's test handling equipment.

FINANCIAL REVIEW (CONT'D)

ATE segment (Cont'd)

In contrast, revenue from the electro-optical within the ATE segment contracted to 19.0% in 2022, from 49.7% in 2021, which represented an overall drop of 54.9%. Recognising that the smartphone market has reached a certain plateau given the lack of major upgrade and development in smart sensors, the drop in revenue from this segment was within the Group's expectation. During the year, revenue from this segment was mainly derived from the module upgrade of the Group's existing smart device test solutions.

Overall, the Group's strong presence in the automotive industry has complemented its ATE business and such positive development will continue to provide impetus for growth to the overall Group's ATE segment in the mid-to long term.

FAS segment

The FAS segment of the Group has been gaining its traction over the last few years. The FAS segment has been consistently recording years of double- digit revenue growth with the exception of 2019 where a decrease of 18.4% was recorded. In 2022, the FAS segment continued to witness double-digit growth rate in its contribution to the Group's revenue, chalking 18.5% growth to achieve RM179.9 million during the year. Specifically, the revenue momentum in this segment picked up in the third and fourth quarter of the year, with revenue in second half of the year exceeding its first half by 46.4%.

This year saw the medical devices segment leading and driving the Group's FAS growth with its revenue contribution rose to 41.5% from 19.3% in the previous year. The strong year- on-year revenue growth of 154.6% from the medical devices segment was mainly driven by global manufacturers of medical products in adopting the various process and assembly automation in their manufacturing processes for better productivity and efficiency. It is also a testament of the Group's medical automation know-how post acquisition of TP Concept in 2019 that has started to have a positive bearing in the Group's exposure for the medical industry. Revenue from other business segments, such as consumer and industrial products segment and electro-optical segment contributed 32.3% and 20.9% respectively towards the FAS business unit during the year.

The emergence of digital technologies have accelerated the adoption of automation. Many companies across various industries are seen adopting automation in a broader manner especially in a post-pandemic environment in achieving efficiency and productivity within a safe operating environment. With the current automation trend and the acceptance of Industry 4.0, the FAS segment will continue to grow and contribute positively to the Group.

Gross margin

The Group concluded the year with an overall gross margin of 30.5% as opposed to 30.0% in 2021. Despite the Group having to confront the challenge over the supply chain constraints and inflationary cost pressures along with other lingering macroeconomic uncertainties, the Group is heartened to witness a relatively stable gross margin across all four quarters in 2022. The Group's increased exposure to the automotive and medical devices segment were the main attributes of the healthy margin and such encouraging situation was further bolstered by the continuous growth from the FAS segment. It was worthy to mention that the Group's penetration into these higher growth industries afforded the Group the opportunity and timeliness in mitigating the adverse cost impacts associated with component cost increases and rising labour cost in this highly inflationary environment.

Other income

The Group recorded other income amounting to RM6.4 million during the year as compared to RM11.1 million in 2021. The amount recorded in 2022 was mainly contributed by a waiver of other payable amounting to RM4.8 million during the year.

In 2021, there were elements of gain on foreign exchange of approximately RM7.6 million. Such gain on foreign exchange was offset by a loss from changes in fair value of foreign currency forward contracts of RM2.1 million under the Group's administrative expenses, resulting in a net gain on foreign exchange of RM5.5 million in 2021. There were no such element of foreign exchange captured under other income during the year.

FINANCIAL REVIEW (CONT'D)

Administrative expenses

Administrative expenses of the Group mainly comprised of the movement arising from foreign exchange, professional fees and administrative staff cost. During the year, administrative expenses increased by RM18.0 million from RM39.9 million in 2021 to RM57.9 million. This was mainly due to the following factors:

(i) loss on foreign exchange of RM0.6 million and loss from changes in fair value of foreign currency forward contracts of RM7.6 million during the year as compared to the loss from changes in fair value of foreign currency forward contracts ("derivative loss") of RM2.1 million in 2021. The Group entered into several forward contracts since beginning of the year based on the order book on hand where majority of these contracts received from customers were denominated in U.S. dollars. The objective of the Group undertaking such hedging process was to mitigate any adverse foreign exchange exposure that will affect the financials of the Group given the size of the order book received. The continuous appreciation of the U.S. dollar against RM during the year has resulted in the derivative loss arising from the forward contracts committed by the Group;

(ii) higher administrative staff cost of RM29.6 million during the year (2021: RM24.4 million) due to the increase in staff incentive and employee benefit expenses of RM7.6 million;

(iii) Incurrence of the research and development cost of Pentamaster MediQ in respect of its single-use medical devices amounting to RM5.5 million; and

(iv) higher professional fee of RM0.6 million and higher upkeep and maintenance cost in computer of RM0.7 million with the increase in staff headcount.

Profit for the year

The Group recorded a net profit of RM130.5 million in 2022, representing an increase of 12.9% as opposed to a net profit of RM115.6 million achieved in 2021. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for 2022 stood at RM142.9 million as compared to RM128.9 million recorded in 2021, representing an increase of 10.9%. Basic earnings per share rose from 10.24 sen in 2021 to 11.58 sen in 2022.

Liquidity, financial resources and capital structure

The Group continued to maintain a healthy working capital of RM632.3 million as at 31 December 2022 (31 December 2021: RM551.2 million). Net cash from operations generated by the Group during the year was RM31.8 million as compared to RM122.3 million in the previous year. Cash and cash equivalents stood at RM421.2 million as at 31 December 2022 as compared to RM478.2 million in 2021. As at 31 December 2022, the Group's available banking facilities remained at RM19.5 million in the form of term loan and trade facilities. The Group has made a full repayment for the balance of its term loan which was previously drawn down to partly finance the leasehold land of its second production plant in Batu Kawan, Penang. With the full repayment made, the Group has no borrowings as at 31 December 2022.

The Group's business operations are generally supported by a combination of internal and external sources of funds. Internal sources of funds mainly refers to shareholders' equity and cash generated from its operations, while external sources of funds mainly derived from the credit terms granted by its suppliers. The Group believes that after taking into account its cash and bank balances as well as the funds envisaged to be generated from its business operations, the Group is expected to have adequate working capital to meet its present and foreseeable day-to-day business operation requirements.

FINANCIAL REVIEW (CONT'D)

Foreign exchange exposure

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

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

Contingent liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

Pledge of asset

As at 31 December 2022, the Group's leasehold land of RM4,660,000 (2021: RM4,744,000) has been pledged to secure a bank loan.

Employees and remuneration

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

As at 31 December 2022, the total number of full time employees of the Group increased to 802 (31 December 2021: 703).

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

The board (the "Board") of directors (the "Directors") of the Company has allocated a budget of up to RM200.0 million for the construction of new manufacturing plant on a newly acquired land and will be funded via internally generated funds.

Save for those disclosed in this report, there were no other significant investments held with a value of 5% or above of the Group's total assets, nor were there material acquisitions or disposals of subsidiaries during the year. Apart those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

Management Discussion and Analysis

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 Company implemented the share award scheme during the Company's subsidiary, Pentamaster International listing on the Main Board of The Stock Exchange of Hong Kong Limited, in recognising the contributions made by key management and employees as well as to incentivise and retain them for continual operation, growth and future development of the Group. On 1 April 2020, Pentamaster International, adopted a share award scheme which is valid and effective for a term of ten years commencing on 1 April 2020 to serve as part of the Group's employee retention program in retaining its existing employees and to attract suitable personnel for further development of the Group. Additionally, the Group continuously grooms younger members of the management staff and other employees to participate in the management of the Group. 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 research and development ("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 Group. 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.

OPERATIONAL AND FINANCIAL RISKS (CONT'D)

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 Group's interest.

Financial risks

The Group's financial risks are set out in Note 36 under the notes to the consolidated financial statements.

PROSPECTS

"When the going gets tough, the tough get going."

Year 2022 ended on another challenging note and it was a year of two halves. While the aftermath of the COVID-19 pandemic continued to be felt, the first half of the year was compounded by the various geopolitical developments and rising inflationary pressures from the prolonged supply chain disruptions. The Group, through its various business strategies and approaches, navigated carefully in these challenging times and embraced the second half of the year on a better footing by executing and undertaking some of its internal business initiatives that were geared towards building new capabilities and revenue streams, while remaining vigilant and reactive in every stage of its execution to ensure agility in this highly evolving situation. It was definitely a year of resilience and a year of adaptability where the Group remained focused on its core competencies while responding to challenges and opportunities.

With the challenging year that has been, 2023 will be a year of consolidating and gathering internal strength and commitment to continue achieving breakthroughs in its existing businesses and geographical markets with new growth drivers and initiatives. Anchored by a record high order book on hand, the Group is forward-looking in establishing another year of solid business growth. Most notably, the Group will continue to strengthen its pillar of growth strategies in product diversification, geographical diversification and segmental diversification. Operationally, the Group has made headway in expanding its presence in higher growth segments namely the automotive and medical devices segment. In respect of automotive segment, with its leading position achieved during the year from revenue contribution standpoint, the Group expects the growing revenue exposure from this segment to persist on the back of its strong order fulfilment that is largely driven by the quickening pace of automotive electrification and the various automotive-related stimulus and policies towards decarbonisation that provide impetus to the EV market. The medical devices segment, which is now seen dominating the Group's FAS segment will set the scene for pushing the revenue growth streak further within the segment as the application of automation in medical manufacturing becomes prevalent.

The Group's effort in its geographical diversification approach entails establishing its presence outside of Malaysia which mainly includes China, Japan, U.S. and Singapore. Such establishment held the Group in good stead as the Group continues to record positive financial performance on the back of its growing sales traction achieved from these regions that cover important key market for the business segments of the Group. While the Group sets eyes on Germany, Indonesia and Middle East for its next geographical expansion, the Group is mindful of the "China plus one" strategy in which multinational firms are seen moving parts of their production outside of China, with India and Vietnam being the two primary locations brought up in attention. The Group is of the opinion that while such economic policy brings positive development in reducing supply chain dependency and vulnerability, it augurs well for the overall Group's business growth opportunity with the potential increase in demand for the Group's products and solutions from these new establishment outside of China.

PROSPECTS (CONT'D)

As the Group continues to seek opportunities to improve its financial performance, it is also keeping a keen eye on building a sustainable environment. In addition to putting sustainable business strategy in place, the Group is cognisant of the increasing importance of non- financial reporting. As part of the Group's continuing efforts in enhancing transparency, the Group will step up its Environmental, Social and Governance ("ESG") disclosures by making reference to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). In addition, the Group will enhance its ESG initiatives through the formulation and implementation of the various ESG action plans that encompass, among others, climate change initiatives, supply chain, diversity, employees' engagement, corporate culture and compliance to reinforce its sustainability.

As the Group enters 2023 at an encouraging pace, the Group remains cautious given the current volatile global environment. The Group does not expect the overall sentiment to return to pre-pandemic conditions anytime soon and while this dynamic situation remains fluid, the Group will continue to drive operational efficiency and prudent cost optimisation to mitigate the impact of rising material price and any other cost increase from the inflationary pressure. Organically, the Group will continue to build its internal capabilities and accelerate innovation across all facets of its business segments from new product development to value chain activities to address the rapidly evolving market requirement. On a broader level, the Group is staying on course to keep pace with its long term growth initiatives steered by its "Grand Roadmap & key Focus 2022-2025" which is formulated to further progress the Group towards achievement of its long term growth trajectory.

CHUAH CHOON BIN
Executive Chairman

Chuah Choon Bin (male), aged 62, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002 and was re-designated as the Executive Chairman on 1 March 2022. He currently sits on the Board of Pentamaster International as the Executive Director and Chairman. Pentamaster International is a subsidiary of the Company and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 19 January 2018. Mr. Chuah also holds directorship in subsidiary companies of the Group. He is a professional engineer and co-founder of Pentamaster Group.

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

Under his leadership, the Company achieved the following recognitions;

(1) inclusion into the constituents of the FTSE4Good Bursa Malaysia ("F4GBM") Index in 2021 where such F4GBM Index measures the performance of public listed companies demonstrating strong environmental, social and governance practices;

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

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

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

(5) recipient of the Enterprise 50 Award 2002 organised by Accenture and SMIDEC and Quality Management Excellence Award 2003 for the category of local company with annual sales turnover exceeding RM25 million to RM200 million at the Industry Excellence Award 2003 organised by Ministry of International Trade and Industry.

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

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

He 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.

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

Profile of Directors

GAN PEI JOO
Executive Director

Gan Pei Joo (female), aged 47, a Malaysian citizen, was appointed to the Board of the Company on 19 March 2021 and is currently the Executive Director of the Company. She is also the chief financial officer and holds directorship in all the subsidiaries of the Group.

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

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

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

LEE KEAN CHEONG
Independent Non-Executive Director

Lee Kean Cheong (male), aged 55, a Malaysian citizen, was appointed to the Board of the Company on 19 December 2017, and is currently the Chairman of the Audit Committee. he is also a member of the Remuneration Committee and the Nominating Committee.

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

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

Currently, he is one of the Partner in an accounting firm and a Director for a management consultancy firm. Mr. Lee is one of the Independent Non-Executive Director of SLP Resources Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Independent Non-Executive Director of MSM International Ltd, a company listed on Singapore Exchange Securities Trading Limited.

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

Roslinda Binti Ahmad (female), aged 59, a Malaysian citizen, was appointed to the Board of the Company on 7 April 2023 and appointed as the Chairman of the Nominating Committee on 7 April 2023. She is appointed as a member of the Audit Committee and the Remuneration Committee on the same date.

ROSLINDA BINTI AHMAD
Independent Non-Executive Director

Pn. Roslinda is a well-known figure in the Islamic Investment Banking space. She is currently assuming the position of Head of Islamic Products & Services with Crowd Sense Sdn Bhd (a peer-to-peer financing Recognised Market Operator, registered with the Securities Commission Malaysia) as well as the Strategic Consultant for a well-known Islamic financial training provider. Prior to her current role, Pn. Roslinda started her career with Arab Malaysian Merchant Bank Bhd as Equity Analyst before making her way to James Capel & Co, the Stockbroking arm of HSBC Group and RHB Research Institute. Subsequently, she was attached with CIMB group and played a significant role in the Islamic Wholesale Banking Divison; spearheading the Group in opening and developing the Islamic Finance markets in Hong Kong, Singapore, Thailand and Indonesia. During that time she sat on the Treasury Market Association (TMA) of the Hong Kong Monetary Authority (HKMA) representing CIMB in assisting the country to set up the framework for Islamic Finance. Her last position with CIMB Islamic is Director & Head, Product Distribution And Strategy for Wholesale Banking and reported directly to the CEO's office on Thought Leadership. She has a Professional Qualification as Accredited Competency Professional (ACP) from the Finance Accreditation Agency (FAA). FAA is an independent quality assurance and accreditation body, supported by Central Bank of Malaysia and the Securities Commission Malaysia.

She has a Master of Business Administration (MBA) from University of Miami, Florida, the United States and a Bachelor of Science in Business Administration (Finance) & a Minor in Japanese Language from University Of The Pacific, California, the United States.

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

LENG KEAN YONG
Non-Independent Non-Executive Director

Leng Kean Yong (male), aged 48, a Malaysian citizen, was appointed to the Board of the Company on 1 August 2014 and is currently the Chairman of the Remuneration Committee. On 7 August 2017, Mr. Leng was appointed to the Board of Pentamaster International as a Non-Executive Director. Pentamaster International is a subsidiary of the Company and was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 19 January 2018. He is also a member of the Audit Committee and Remuneration Committee of Pentamaster International.

Mr. Leng has been in the finance and marketing field for over 20 years. He is highly experienced in the areas of business strategy, ranging from financial matters to business planning and marketing. He has successfully executed projects for small-medium sized industries to listed companies on Bursa Malaysia Securities Berhad, the Australian Securities Exchange and The Stock Exchange of Hong Kong Limited as well as projects for multinational corporations. Such projects encompass IPO exercise, industry research report, the development of a 5-year business plan, marketing strategy blueprint, customer relationship management implementation, market entry and feasibility studies, and mergers and acquisitions evaluations.

At present, Mr. Leng is also one of the Directors at Crowd Sense Sdn. Bhd. (which operates under the brand name of Cofundr), a recognised market operator for peer-to-peer financing registered with the Securities Commission Malaysia. He was previously a Director at L3 Consulting Sdn. Bhd. and Project Director for Synovate Sdn. Bhd., and prior to that, a senior manager for ACNielsen Malaysia Sdn. Bhd. ("ACNielsen"). During his tenure at ACNielsen, he was awarded with three (3) ACNielsen awards for his contribution in successfully implementing and executing key strategies for the firm's local operations. He started his career with BBMB Securities Sdn. Bhd. and he has also advised and managed discretionary fund for private companies and high net worth individuals.

He graduated from Western Michigan University (cum laude), the United States, with a bachelor in business administration 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.

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

Dato' Loh Nam Hooi (male), aged 62, a Malaysian citizen, was appointed to the Board of the Company on 30 November 2002. He is also a member of the Audit Committee and the Nominating Committee.

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

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

DATO' LOH NAM HOOI
Non-Independent Non-Executive Director

Profile of Key Senior Management

HON TUCK WENG
Operation Director

Mr. Hon Tuck Weng ("Mr. Hon") (male), aged 52, a Malaysian citizen, has been the operation director since May 2007 and is primarily responsible for overseeing the daily operation of our management information system, quality assurance and control, facilities and internal control functions. He started his career as the software programmer of Pentamaster Technology, a direct wholly-owned subsidiary of Pentamaster International in March 1995. Mr. Hon has more than 25 years of experience in automation solutions industry.

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

TEOH SIOW KHIANG
Senior General Manager

Mr. Teoh Siow Khiang ("Mr. Teoh") (male), aged 66, a Malaysian citizen, has been the senior general manager of Pentamaster Instrumentation since January 2017. He is primarily responsible for overseeing the daily operations of Pentamaster Instrumentation, a direct wholly-owned subsidiary of Pentamaster International. He joined as a general manager of Pentamaster Instrumentation in January 2006.

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

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

TEH ENG CHUAN
Chief Operating Officer
automated test equipment division

Mr. Teh Eng Chuan ("Mr. Teh") (male), aged 49, a Malaysian citizen, has been the chief operating officer of Pentamaster Technology since January 2015. Mr. Teh is primarily responsible for overseeing the daily operations of Pentamaster Technology. He joined as a vision software engineer of Pentamaster Technology in January 1996 and has over 20 years of experience in the machine vision, design and control. Mr. Teh completed a course of higher diploma in computer science in Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in April 1995.

Profile of Key Senior Management

Mr. Ng Chin Keng ("Mr. Ng") (male), aged 44, a Malaysian citizen, has been the chief operating officer of Pentamaster Equipment since January 2015. Mr. Ng is primarily responsible for overseeing the daily operations of Pentamaster Equipment, a direct wholly-owned subsidiary of Pentamaster International. 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 CHIN KENG
Chief Operating Officer
factory automation solutions division

Mr. Ong Thean Lye ("Mr. Ong") (male), aged 63, a Malaysian citizen, is currently the chief operating officer of Pentamaster MediQ since its inception in 2020. He is primarily responsible for overseeing the daily operation of Pentamaster MediQ in the development of the medical devices business.

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

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

ONG THEAN LYE
Chief Operating Officer
medical devices division

Mr. You Chin Teik ("Mr. You") (male), aged 46, a Malaysian citizen, is the vice president of new business development and is primarily responsible for overseeing the research and development activities of our Group. He joined our Group as a vision engineer in January 1998. Mr. You obtained a higher diploma in computer studies from Kolej Damansara Utama (currently known as KDU Penang University College), Malaysia, in February 1998. He later obtained a degree of master of business administration from University of South Australia, Australia, in March 2009 through a distance learning course.

YOU CHIN TEIK
Vice President
of New Business Development

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

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

1) INTRODUCTION

The Company is pleased to present its Sustainability Statement, covering the environmental, social and governance ("ESG") impacts, policies and initiatives of the Company and its subsidiaries for the year ended 31 December 2022. This report is prepared in accordance with Part III of Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

2) ESG APPROACH

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

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

In 2022, the Company is included in the constituents of the FTSE4Good Bursa Malaysia Index where such index is a measure for public listed companies with strong environmental, social and governance practices.

3) STAKEHOLDERS' ENGAGEMENT

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

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

Stakeholders	Method of Engagement
Shareholders	• General Meetings (Annual / Extraordinary) • Corporate communication and investor relations
Employees	• Employee's briefings • Open communication via internal channels such as in-house emails, memos and open-door policy
Customers	• Customers' surveys and feedbacks • Face to face meetings • Official websites
Suppliers	• Suppliers' audit • Suppliers' feedbacks • Suppliers' meetings • New suppliers evaluation procedure
Government and Regulatory Authorities	• Compliance with regulatory legislative framework • Workshops and seminar organised by relevant regulatory authorities
Communities	• Meeting with local communities

4) SUSTAINABILITY APPROACH

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

Board Diversity

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

The current Board's composition under diversified perspectives is summarised as below. All the Board members have wide range of professional experience, contributing to the effectiveness of the Group's business direction.

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

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

The Board is also responsible to ensure good corporate governance. One of the Board functions is to provide independent and effective leadership to supervise the management of the Group's business and affairs, and to grow responsibly in a profitable and sustainable manner that is in the best interest of stakeholders. The Board also develops and reviews the Group's policies and practices on corporate governance including the Group's internal control and risk management framework.

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

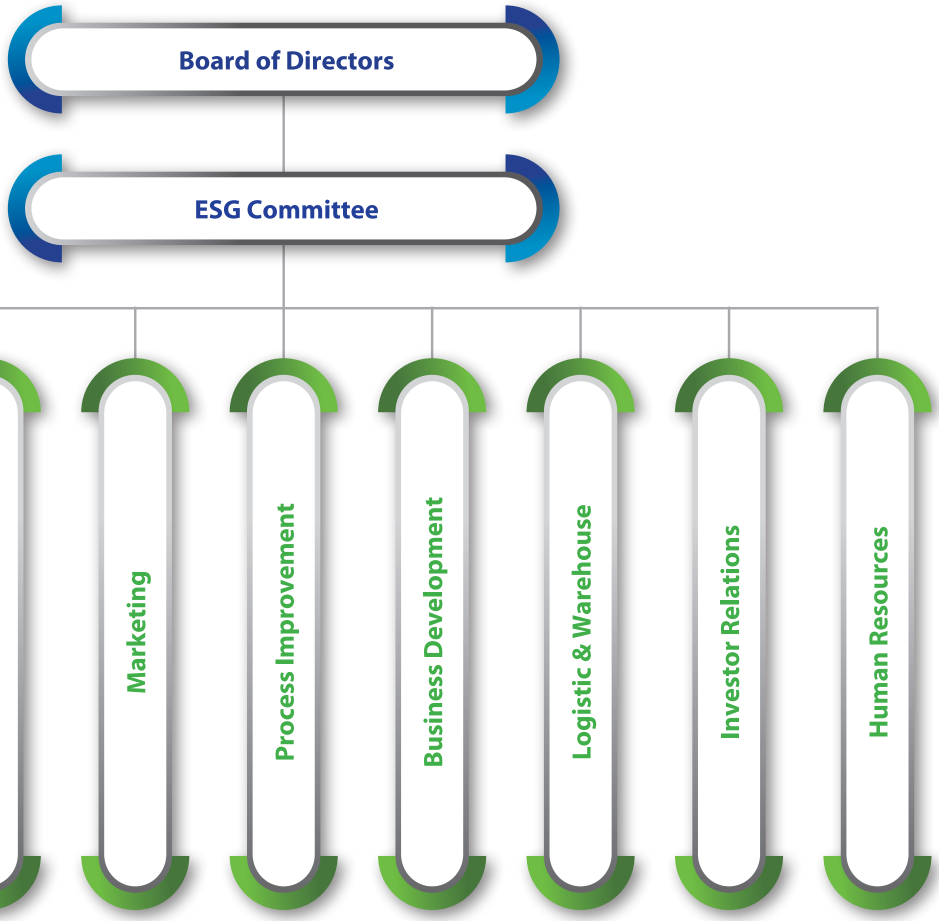
ESG Management Structure

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

(i) Oversee and execute the Group's sustainability strategy;
(ii) Review and ensure proper disclosure and compliance with the relevant ESG Guidelines;
(iii) Review the annual ESG risks;
(iv) Present and regularly report to the Board on sustainability performance; and
(v) Make recommendations to enhance sustainability strategies and practices.

4) **SUSTAINABILITY APPROACH** (CONT'D)

ESG Management Structure (Cont'd)



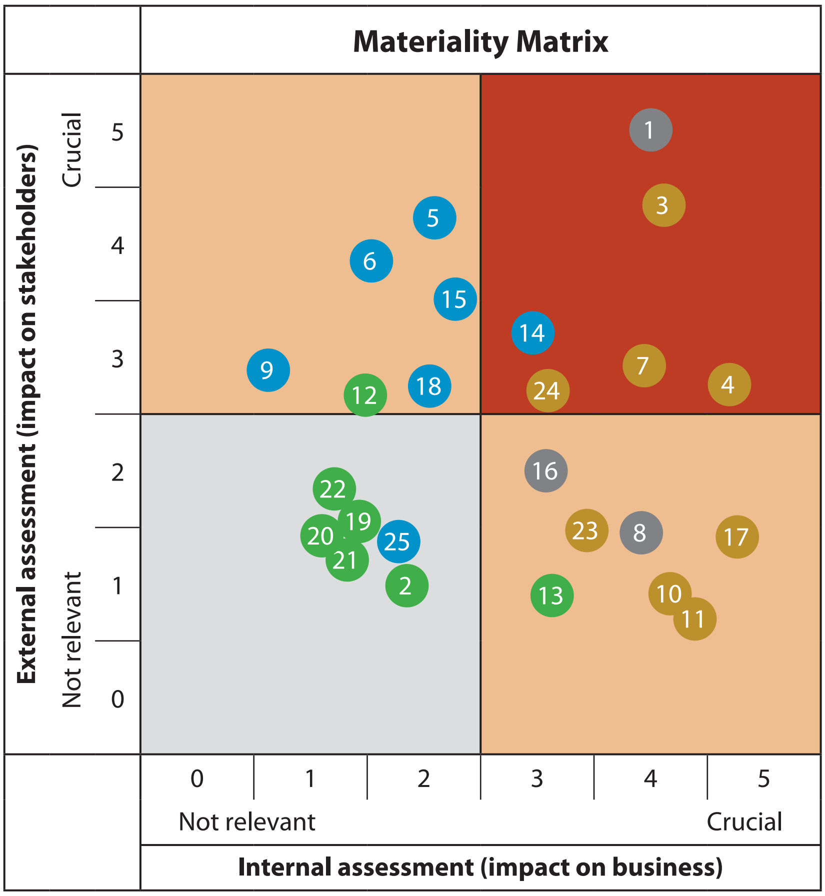
Materiality Assessment

In 2022, the Group identified various key ESG issues that are material to the Group's on-going business operation. The material ESG issues are deemed significant to the strategy and business of the Group, and the Group placed a priority in addressing the identified key ESG issues and provide key disclosures in this ESG Report.

In 2022, the Group analysed 25 related issues from two dimensions including their "impact on stakeholders" and "impact on business" and selected 11 highly important issues to be disclosed in this ESG report. These issues are anti-corruption, customer satisfaction, supply chain management, protection of customer privacy, occupational health and safety, employee welfare, employee training, operational impact, product quality control, intellectual property and product safety.

4) SUSTAINABILITY APPROACH (CONT'D)

Materiality Assessment (Cont'd)



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

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

The Board has also established a risk management committee which comprises the Chairman, Chief Financial Officer and senior management to assist in monitoring the risk management process within the Group and is responsible for the establishment and the maintenance of a framework of risk management for the Group. The Group's risk management committee conducts a meeting at least once a year. The Group's risk management and internal control system covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. With these, the Group has a clear overview of the adequacy and effectiveness of the Group's internal controls and risk management system that would enhance the Group's resilience and minimise the impact of any disruption to business operations.

Further details of the Group's corporate governance practices can be referred to under the Corporate Governance Report in the 2022 Annual Report of the Company.

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

4) SUSTAINABILITY APPROACH (CONT'D)

Key Performance Indicator ("KPI") Target

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

United Nations Sustainable Development Goals ("SDG")

The Group has identified 7 SDGs which the Group believes having the most impact as a business through the Group's operations, initiatives and programmes.

SDG		The Group's View	The Group's Efforts and Programmes	Reference
3 GOOD HEALTH AND WELL-BEING	Goal 3: Good health and well-being Ensure healthy lives and promote well-being for all at all ages.	The Group takes any potential risk to the health and safety on the workplace seriously. The Group promotes health, safety and well-being at the workplace.	Workplace health and safety: The Group keeps the work environment safe for the Group's employees. The Group has various sports recreational facility.	Page 34 - 36
4 QUALITY EDUCATION	Goal 4: Quality education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	The Group views the progress, development and inclusion of employees and community through the support of education and skills development opportunities.	Staff training and development The Group invests in learning development for our employees to support the Group's future business strategy. The Group also invests in the education for community.	Page 36 - 37
8 DECENT WORK AND ECONOMIC GROWTH	Goal 8: Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	The Group is committed to make the company a vibrant workplace among its employees.	Fair Opportunity The Group offers equal employment opportunity without discrimination for career advancement. The Group has zero-tolerance towards sexual harassment.	Page 33
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Goal 9: Industry, Innovation and Infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	The Group views innovation as priority for the Group's future solutions across different business segments.	Research & Development The Group sets KPIs to develop new solution and/or improve the productivity of existing solution so they could better serve the customer.	Page 41

4) SUSTAINABILITY APPROACH (CONT'D)

United Nations Sustainable Development Goals ("SDG") (Cont'd)

SDG		The Group's View	The Group's Efforts and Programmes	Reference
10 REDUCED INEQUALITIES	Goal 10: Reduced Inequalities Reduce inequality within and among countries	The Group is committed to creating equal opportunity for employees.	Equal opportunities There are equal opportunities for employment and promotion for all staff at all levels. The Group does not discriminate and values significant contributions based on merits, expertise, experience and dedication.	Page 33
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Goal 12: Responsible Consumption and Production Ensure sustainable consumption and production patterns	The Group monitors waste management practices as part of the Group's business operations.	Responsible waste management Electronic and packaging are sources of wastes generated across the Group's operations. Hazardous wastages are collected by a certified supplier regularly.	Page 29 - 30
13 CLIMATE ACTION	Goal 13: Climate Action Take urgent action to combat climate change and its impacts	The Group is committed to minimising environmental footprint across the Group's business operations.	Reduction target The Group sets a target to reduce the intensity for greenhouse gas emission, and energy and water usage as a whole by 20% by 2030, stating 2020 as the base year.	Page 29 - 33

5) ENVIRONMENTAL

The Group understands the importance of ESG matters. The Group takes measures to protect the environment in which the Group operates through the implementation of an environmental management system at the factory. Subsidiaries of the Company have been certified with the ISO 9001:2015. As part of the Group's plan to develop new business activity within the medical device segment, at present, the production plant in Batu Kawan is equipped with an ISO Class 8 cleanroom environment, a prerequisite for a number of potential customers in the medical device sector to facilitate diversification into this sector.

As announced on 3 November 2021, the Group has acquired an industrial land in Batu Kawan, Penang measuring approximately 12 acres ("Plant 3"), which will provide additional space for research laboratories, manufacturing floors and offices. The Group intends to invest in resource-efficient fittings and renewable energy equipment in Plant 3 such as solar-cell panels ready fittings, rain-water harvesting system, lighting LEDs, and zoning and smart building automation sensors for better control of the use of energy for lighting and air-conditioning. Plant 3 will also include a few strategic and conducive communal areas which will be easily accessible to support and keep employees' productivity high. The communal spaces will also encourage more communication between inter-department and encourage innovative discussion. Plant 3 will be completed in few phases. The first phase will approximately be ready for production at the end of 2023, while the second phase is scheduled to be completed in the second half of 2024.

In 2022, the Group has strictly complied with relevant environmental laws and regulations relating to emissions of greenhouse gas ("GHG") and generation of hazardous and non-hazardous waste in Malaysia. The Group is not aware of any material non-compliance of the relevant environmental laws and regulations that have a significant impact on the Group.

5) ENVIRONMENTAL (CONT'D)

Emission

In 2022, the Group's total emissions are summarised in table below:

Emission	Breakdown	Unit	31 December 2022		31 December 2021		31 December 2020	
			Amount	Intensity[(1)]	Amount	Intensity[(1)]	Amount	Intensity[(1)]
GHG	Direct (Scope 1)[(3)]	*NO_x, SO_x and PM (tonnes)*	1.35	0.0022	1.19	0.0023	0.96	0.0023
	Indirect (Scope 2)[(3)]	*CO_2e (tonnes)*	4,313.92	7.1828	3,733.57	7.3439	2,890.79	6.9030
Hazardous waste	Industrial wastage	*tonnes*	0.21	0.0003	0.59	0.0012	0.30	0.0007
Non-hazardous waste	Solid wastage	*tonnes*	117.09	0.1950	108.39	0.2132	131.93	0.3150

Notes:

(1) Intensity of emissions is calculated based on the amount of emission divided by the Group's revenue (RM' million) in 2022, 2021 and 2020 respectively.

(2) The above key indicators are not independently audited or verified, and it's not part of the audited financial statements.

(3) In accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition) published by World Business Council for Sustainable Development and World Resources Institute, Scope 1 direct emission is a result from operations that are owned or controlled by the Group, while Scope 2 indirect emission is derived from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

Based on the Group's experience of more than 20 years, the Group takes proactive measures to minimise emission. Product design takes into account on how resources could be maximised without producing unnecessary wastage and emission. Simultaneously, new products will be assessed according to specific customer requirements, including improvement in product design.

The Group monitors closely both hazardous and non-hazardous wastages. The Group's products are mainly solution customised according to customers' specific need. To ensure that wastages are minimised, the Group only starts material procurement, assembly and programming once the Group suggested solution is approved by the Group's customers. The Group's quality assurance also helps in managing the reliability and quality of the Group's products so the Group could prevent both wastages and non-compliance.

Hazardous wastages such as electronics waste, dry cells, printing cartridges and spoilt lightings are stored in the storage room prior to collection by a certified supplier that the Group engages regularly. Non-hazardous wastages are collected and stored safely before being collected for disposal from the factory premises.

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

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

Use of Resources

As one of the global players that deliver high value-added integrated products and customised solutions at a competitive price, the Group takes responsibility to ensure that any potential adverse impact of the Group's operations on the environment are identified and addressed accordingly. The Group is well aware of climate change issues due to global warming and is committed to addressing it through the reduction of energy consumption and carbon emission. To further promote this exercise, a corporate-level committee has been set up for a number of years to drive the energy consumption reduction programs.

5) ENVIRONMENTAL (CONT'D)

Use of Resources (Cont'd)

Some of the actions the Group has taken, have made significant improvements on energy efficiency, including:

(i) replacement of all lighting with energy-efficient LED to reduce energy consumption;

(ii) installation of smart sensors in the factory to control electricity usage such as lighting;

(iii) installation of rainwater harvesting system; and

(iv) reminder to employees to play a significant part in energy efficiency.

As a result of the above initiatives, the Group has enjoyed a reduction in the cost of replacing light tubes as the LED lights have longer lifetime. Further, it has reduced hazardous wastages (i.e. light tubes). The Group no longer uses a split air-conditioning system and has opted to integrate the air-conditioning system into the existing centralised air-conditioning system. Centralised air-conditioning system contributes to more energy savings as compared to the split air-conditioning system.

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

The Group was not aware of any incident of non-compliance in 2022 with the relevant laws and regulations relating to environmental protection in the countries in which the Group operates that would have a significant impact on the Group.

In 2022, the Group's total use of resources are summarised in the table below:

Resources	Item	Unit	31 December 2022		31 December 2021		31 December 2020	
			Amount	Intensity[1]	Amount	Intensity[1]	Amount	Intensity[1]
Energy[a]	Electricity	*kWh'000*	6,464.24	10.7632	5,576.63	10.9692	4,169.88	9.9573
Water[b]	Water	*m^3*	30,293.00	50.4390	33,048.00	65.0053	36,115.40	86.2408
Others[c]	Packing Materials	*tonnes*	117.09	0.1950	108.39	0.2132	131.93	0.3150
	Papers	*tonnes*	2.35	0.0039	2.43	0.0058	1.73	0.0041

Notes:

[1] *Intensity of resources is a representation of resources used per the Group's revenue (RM' million) in 2022, 2021 and 2020 respectively.*

[2] *The above key indicators are not independently audited or verified, and it's not part of the audited financial statements.*

[a] *Electricity is mainly consumed by the Group for operation and office use.*

[b] *Water is mainly for office use. The Group does not have any issue in sourcing water for consumption. The Group strives to minimise water consumption by monitoring usage of water regularly. The Group has also encouraged employees to increase their awareness of environmental protection through water conservation.*

[c] *Usage of other resources consists of paper which was mainly for office use and packing materials for the Group's products.*

The Group constantly encourages the employees to minimise the use of paper via the following initiatives:
(i) Encouraging employees to print less and/or print double-sided and/or print using recycled paper;
(ii) Using non-paper visuals during meetings; and
(iii) Using electronic approval.

The Group also takes initiatives by using recycled packaging materials from suppliers.

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

5) ENVIRONMENTAL (CONT'D)

Environmental and Natural Resources

The Group does not engage in any activities that have direct or significant impact on the natural resources in the course of business operation. The Group takes very seriously any climate-related issues that may impact the Group's operation and communities, and strategises actions to manage these potential issues.

In considering potential threats of climate change to the communities, the Group has made steady progress in reducing its carbon footprints across its businesses. Emissions of GHG by the Group are mainly contributed by the consumption of electricity of machineries. Routine inspection on the power supply is carried out to minimise the breakdown of machineries which in turn reduce production wastage and consumption of electricity.

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

The production plant in Batu Kawan, Penang includes a few smart sensors which are capable of controlling electricity usage effectively and at the same time, increasing production efficiency.

In addition to the measures above, the Group has also, implemented the following initiatives:

(i) 3R Concepts (Reduce, Reuse and Recycle)

The Group remains committed to ensuring that it plays its role in sustaining a greener environment. During the year under review, the Group continued with the recycling and waste management initiative where recycle bins are provided to spur waste segregation for proper recycling and disposal purposes. The same initiatives of putting recycle bins are adopted in the production plant in Batu Kawan, Penang. The Group's employees are educated on the concept of "Reduce, Reuse and Recycle" which is an excellent way of saving energy and conserving the environment.

(ii) "Cost With No Waste" initiative

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

Since 2020, the Group's operation was baffled by the pandemic. Global lockdown and the slowdown across economies have resulted in supply chain crunches and such effect continued in 2022.

In several occasions over the years , Malaysia suffered floods in certain parts of the city in Malaysia, highlighting extreme weather patterns accelerated by climate change. Although flood never occurred in our production plant based in Penang, as part of our ongoing strategy to build natural resilience, and in preparation for greater disclosure aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework, we have done a preliminary internal assessment to understand our current operating condition, assessing physical and transitional risks from different climate change scenarios. In the future, we plan to replicate this exercise across the Group's future production plants in different parts of the geographical region.

In the event of occurrence of natural hazards such as floods, the Group will carry out disaster response and recovery operations in line with the Group's Business Continuity and Disaster Response & Recovery Plan policy. The human resource team will be tasked to inform all employees regarding the magnitude of disasters, evacuation, work arrangements and any pertinent questions in regards to medical benefits or human resources related issues. The respective division manager will also be responsible to coordinate activities among his team members in the event of emergencies (including evacuation). In the event that a major natural disaster affects the Group's operation severely, the disaster recovery team aims to get the operation back within 24 hours (server, data, operating system software and backups).

5) ENVIRONMENTAL (CONT'D)

Environmental and Natural Resources (Cont'd)

The Group backups its operational data regularly and procedures handled by its management information system operational team. Backups are programmed on a daily basis to the offsite server and tested on a quarterly basis to ensure the backup data is working appropriately. Backup data is available offsite and can be called on immediately in the event of system disruption.

In addition, the Group has adequate insurance coverage that protects against business interruption including but not limited to natural disasters such as floods or storms as well as fire perils which will result in consequential losses on the production plant and equipment, or on the Group's stocks and materials.

6) SOCIAL

Employees

The core of the Group lies on its employees, being the biggest and most important asset. Therefore, creating a culture where employees feel valued, safe, comfortable and motivated is important. The Group is committed to the well-being of employees who had played a major role in driving the growth of the Group over the years. The Group promotes and fosters conducive working environment such as open communication policy in order for the employees to stay motivated, and engagement among various teams, levels and departments. The Group's employees are encouraged to be innovative to help foster interesting working environment.

The Group's employees are strictly bound by the Group's code of conduct which reflects the Group's culture and serves as a guide for Directors, managers and employees in their daily activities. It describes the values, principles and practices that guide the Group on how it conducts its business. This code of conduct reflects the objective of management to reinforce wide ethical standards to sustain a work environment that fosters integrity, care, respect and professionalism.

There are equal opportunities for employment and promotion for all staff at all levels. The Group believes that, regardless of gender, ethnicity, age, religious beliefs, nationality, marital status, sexual orientation and/or other aspects, employees can make significant contributions based on their merits, expertise, experience and dedication. The Group also offers equal employment opportunity to employees with certain disabilities and does not discriminate against them from career advancement. In 2022, the Group has hired employees with certain disabilities and have made certain adjustment to the condition of workplace to enable employees with certain disability to work. In addition, the Group has zero tolerance towards sexual harassment in the workplace and does not condone any of such unlawful acts. The Group did not receive any report pertaining to any sexual harassment incident in 2022.

The Group has a well-structured and open annual performance appraisal system. Remuneration plays an integral part in the successful delivery of the Group's strategic objectives. Attracting, retaining and motivating talent is central to remuneration strategy. Remuneration is benchmarked against the industry market rate and commensurate with individual qualification, working experience and ability. Salary and career development reviews are conducted on an annual basis to ensure competitiveness. Discretionary bonus and incentive shares are granted to eligible employees based on the Group's financial results and individual performance. Other employees' benefits include contributions to mandatory contribution to employees' provident fund and medical subsidies. During the year under review, the Group did not breach the requirement for minimum wage.

The Group's working condition is also accommodative to working parents. The day care centre is provided and managed in-house. Flexible working arrangement is also given in the event of an emergency and the need for working parents to attend to the child.

6) SOCIAL (CONT'D)

Mental health and Wellbeing

At Pentamaster, we care about our employees. The Group remain focused on employees physical and mental wellbeing, with a variety of training and activities held regularly. Throughout the year, the Group held various activities to foster great working relationship. It also created a sense of community through the engagement within the group of participants across various locations.

Activity	Period
Hiking	March 2022
Movie night	April 2022
Treasure hunt	May 2022
Food and book donations for Salvation Army	June & July 2022
Rock climbing	August 2022
Escape Park	September 2022
Glass crafting arts & tour	October 2022
Blood donation	November & December 2022
Gel Ball Battlefield	December 2022
Christmas Santa Clause gift giving	December 2022

The Group recognises the criticality of maintaining highly motivated and competent employees. As part of the long-term plan to nurture and retain its key management and employees, the Company implemented the share award scheme during the listing of its subsidiary, Pentamaster International on The Stock Exchange of Hong Kong Limited in 2018. Further, on 1 April 2020, Pentamaster International adopted a share award scheme which is valid and effective for a term of ten years to serve as part of the Group's employee retention program in retaining its existing employees and to attract suitable personnel for further development of the Group.

As of 31 December 2022, the Group had a total workforce of 802 (2021: 703; 2020: 623), of which 17.6% (2021: 18.6%; 2020: 17.5%) were female.

Total employment by age group and geographical region

	Below 30	30 to 49	50 and above	Total
Malaysia	52.5%	34.3%	5.1%	91.9%
Others	2.9%	5.0%	0.2%	8.1%
Total	**55.4%**	**39.3%**	**5.3%**	**100.0%**

Total employment by employment type

	Permanent	Contract	Total
Malaysia	90.1%	1.8%	91.9%
Others	8.0%	0.1%	8.1%
Total	**98.1%**	**1.9%**	**100.0%**

6) SOCIAL (CONT'D)

Mental health and Wellbeing (Cont'd)

Employee turnover rate (age)

	Below 30	30 to 49	50 and above	Total
Malaysia	15.2%	12.5%	0.4%	28.1%
Others	1.2%	0.5%	-	1.7%
Total	**16.4%**	**13.0%**	**0.4%**	**29.8%**

Employee turnover rate (gender)

	Male	Female	Total
Malaysia	22.7%	5.4%	28.1%
Others	1.4%	0.3%	1.7%
Total	**24.1%**	**5.7%**	**29.8%**

In 2022, the Group has strictly complied with employment laws and regulations such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The Group is not aware of any material non-compliance of the employment laws and regulations that have a significant impact on the Group, and was not subject to any penalty by the government and was not involved in any lawsuit related to employment.

Health and Safety

The Group is committed to providing and maintaining a healthy and safe working environment for its employees. Occupational Safety and Health Committees ("OSHA") organised quarterly safety audit and ensure continuous health and safety improvements in all of the Group's business operations. Training sessions including emergency first-aid are provided to the emergency response team and employee safety and health Committee, and a fire drill is carried out at least once a year within the Group's premises.

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

(i) Signages and markings

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

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

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

As required by the relevant laws and regulations in Malaysia, the Group has OSHA to review the health and safety matters from time to time to oversee safety in the work environment and conduct regular internal meetings to discuss safety issues, review any recent industrial accidents and design any required remedial actions. An emergency response team was set up under purview of the OSHA to ensure that a quick response will be available to the Group's people in the event of an emergency. Members of the team are given training on the use of first aid to be taken in the event of emergency. The Group's Operation Director oversees the OSHA including the progress of health and safety condition in the Group's premises. The Group's Operation Director reports any issues to the Board.

6) SOCIAL (CONT'D)

Health and Safety (Cont'd)

In 2022, the Group has strictly complied with relevant laws and regulations relating to safe working environment and protecting employees from occupational hazards in the Group's factory located in Malaysia. The Group is not aware of any material non-compliance of the relevant health and safety laws and regulations that have a significant impact on the Group and was not subject to any penalty by the government and was not involved in any lawsuit related to health and safety.

If there is a reported work injury, the case would first be referred to the project leader to investigate the cause of injury. A separate note would be raised and documented by the Human Resource Department to prevent similar work injury happening in the future. During the year under review, the Group does not have any cases of work injuries and lost day due to work injury (2021: 2 cases of work injuries contributing to 65 lost days; 2020: 2 cases of work injuries contributing to 59 lost days). The Group does not have any work-related fatalities in the past 3 years including the reporting year.

To promote a healthier work environment, the Group has a sports facility such as multipurpose court and indoor rock climbing to encourage employees to participate in sport activities.

Development and Training

The welfare of the employees is also of paramount importance to the Group. To improve job performance and enhance job satisfaction, the Group constantly upgrades the employees' skills, knowledge and experience by regularly organising external and internal training programmes.

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

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

In 2022, the Group's employees ranging from senior management, engineers and administrative staffs had attended a total of more than 700 hours of training that includes:

(i) Circuit design, Sensor and Applications;

(ii) Medical Devices;

(iii) Kaizen – Continuous Improvement;

(iv) Data Management; and

(v) Occupational Health and Safety.

6) SOCIAL (CONT'D)

Development and Training (Cont'd)

The summary of employees training in 2022 is as follows:

Total cost of training (RM'000)	477
Total number of hours of training received by employees	872
Percentage (%) of employees who received training	53.5%
By gender:	
Male	57.3%
Female	52.7%
Average hours of training per employee (Overall)	17.5
By gender	
Male	17.7
Female	16.9
By employee category	
Manager	18.2
Administration Personnel	16.3
Engineering Personnel	17.6
Technician Personnel	17.7

The Directors recognise the need to continue to undergo relevant training programs to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation as a Board member. During the year under review, all Directors participated actively in continuous professional development which includes, among others, seminars, conferences, in-house trainings etc.

Labour Standards

The Group has guidelines setting the procedures and standards on recruitment by the management and human resource team to ensure that it complies with local employment regulations. The guidelines are reviewed on a regular basis so as to ensure consistency with any update of the relevant rules and regulations in all locations of operations.

In 2022, the Group has strictly complied with the local employment laws and regulations and does not engage in any child or forced labour.

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

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

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

6) SOCIAL (CONT'D)

Labour Standards (Cont'd)

The minimum age allowed for recruitment in the Group is at least 18 years old. Any person who has attained the age of 15 years old and under the age of 18 years old might be hired subject only to apprentice contract or vocational training. During the hiring process, the human resource team will conduct background screening including age, background and qualification. If the potential hirer does not meet the minimum age requirement of at least 18 years old, the hiring process would not proceed further.

On a regular basis, the human resource team conducts an audit on the employee database to ensure there are no fictitious employees or employees who have resigned but were not taken out of the employee database. The audit also serves as a monitoring tool to ensure that the Group is not in breach of any labour practices. In the event where there is a breach of hiring requirements (such as the employee does not meet the age or competency requirement), the human resource will immediately conduct an investigation and ensure a proper process of retiring such employee is carried out immediately.

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

Anti-corruption

The Group's written code of conduct is in place to allow the Group to maintain high ethical standards and a workplace free from corruption.

All employees are expected to discharge their duties with integrity and to follow relevant local laws and regulations. The Group monitors closely the conduct of its management staff to prevent wrong-doings among the Board, senior management and staff, such as prohibiting transfer of benefits while considering new customers, suppliers or any project investment.

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

The Board recognises the importance of whistleblowing where a programme has been introduced for the employees to channel concerns about illegal or unethical business conduct affecting the Company. If an employee has concerns about illegal or unethical business conduct in the workplace, the concern can be reported through an appropriate channel and the outcome will be reported at the Company's Audit Committee meetings.

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

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

Communication with Shareholders and Investors

The Group is committed to creating value for minority shareholders and acting in their best interest through regular engagement.

The investor relations ("IR") team engages with shareholders and investors regularly, meets frequently with institutional investors and sell-side analysts, and responds to inquiries in a timely manner. The Group proactively discloses information on the Group's operations through business briefings and participation in conferences hosted by financial institutions and securities companies. The Group also cooperates with financial institutions and securities companies to hold briefings for institutional and retail investors. The latest quarterly results and quarterly financial presentation are available on our website.

6) SOCIAL (CONT'D)

Communication with Shareholders and Investors (Cont'd)

On a regular basis, the Group discloses information about our operation and future plan in local news agencies. The Group will continue to disclose information appropriately to meet the needs of stakeholders and investors, thereby increasing understanding of the Group's business.

Further details about communication with shareholders and investors are provided in the Corporate Governance Overview Statement in the Company's 2022 Annual Report.

7) ECONOMIC & OPERATING PRACTICES

Products Overview

As disclosed in the 2022 Annual Report, the Group is a leading global provider of advanced automation equipment and systems. Throughout the years, the Group is proud to have developed solutions for some of the global renowned technology houses. As compared to the past where the Group's offering is mostly catered for the telecommunication sector, today, the Group is serving customers across different segments such as the electro-optical, automotive, consumer and industrial product, semiconductor and medical devices segment.

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

A project may originate from a customer enquiry or an internal development initiative to introduce new products and solutions to existing or potential customers. The Group's senior technical personnel first communicates with the customer to understand project specifications and requirements. Based on the information obtained, the Group forms a project team including engineers with expertise in relevant areas to come up with a conceptual proposal. The proposal is subject to further discussion and alignment before finalisation. The project manager is also actively engaging with the customer after project completion to ensure the quality of after-sales services.

Supply Chain Management

The Group is committed to ensuring a good supply chain management system and a good procurement practice. Procurement processes encourage fair competition and apply a high level of objectivity and impartiality in supplier selection.

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

On 16 January 2017, the Group had via its subsidiary, Pentamaster Technology, as part of the initiatives to improve the supply chain ecosystem in Malaysia, entered into a joint venture shareholders' agreement with ViTrox Corporation Berhad and Walta Engineering Sdn. Bhd. to establish a joint venture company known as Penang Automation Cluster Sdn. Bhd ("PAC"). The joint venture is expected to build a robust and reliable supply chain ecosystem in Malaysia that supports the community's long-term strategic growth. PAC started its operation in the second half of 2019.

Supplier Engagement & Procurement

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

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

7) ECONOMIC & OPERATING PRACTICES (CONT'D)

Supplier Engagement & Procurement (Cont'd)

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

As for the process of identifying a new supplier, the Group's procurement department will carry evaluation on the quality of products delivered by the new supplier in accordance with the Group's Procurement Policy. The Group's procurement department also assesses the supplier's sustainable practices that have an impact on ESG such as environment and labour treatment (forced labour or child labour).

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

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

(ii) the supplier must have stable financial conditions;

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

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

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

All suppliers are required to apply for the registration as an approved supplier prior to any engagement. The applications are subject to the approval by the manager of procurement department, chief financial officer and Directors according to the criteria set out above. Once approved, the supplier will be registered on list of approved suppliers. The Group maintains a diverse group of suppliers and does not rely on any single source. At the end of 2022, the Group has more than 1,600 approved suppliers.

The Group sources its materials and parts predominantly from local suppliers. In 2022, the Group's purchases from local suppliers constituted approximately 58.9% (2021: 67.9%; 2020: 70.6%). By geographical supplier distribution, Italy, China, Singapore, United States and Hong Kong were the top five procurement markets for the Group in 2022, with its contribution of more than 80.0%. The overview of the geographical supplier distribution in the past 3 years up to 2022 is as follows:

	2022	2021	2020
Italy	23.3%	1.8%	1.1%
China	20.7%	19.1%	6.0%
Singapore	16.4%	20.7%	26.1%
United States	11.0%	16.3%	26.7%
Hong Kong	10.3%	5.5%	8.7%
Taiwan	4.8%	3.3%	5.3%
Germany	4.7%	16.0%	14.1%
Korea	2.3%	9.1%	6.1%
Others	6.5%	8.2%	5.9%
Total	**100.0%**	**100.0%**	**100.0%**

7) ECONOMIC & OPERATING PRACTICES (CONT'D)

Supplier Engagement & Procurement (Cont'd)

In accordance with the Group's Supplier Assessment Policy, the procurement department conducts annual assessment on major suppliers based on the quality of items supplied, record of on-time delivery, service performance and pricing. The procurement team will also enquire about the supplier's sustainable practices that have an impact on ESG such as environment and labour treatment. Preferential will be given to those suppliers with good ESG practices. Any supplier with a poor rating under the assessment will be subject to request by the procurement department for improvement or discontinuation of engagement in the future.

Product Responsibility

The Group, recognised as one of the renowned players that have worked with some of the top global companies, dedicates itself to ensuring the safety of products to customers. The Group is committed to protecting environment while at the same time improving production and cost efficiency. The Group aims to continuously deliver outstanding customised solutions to customers. The Group also aims to minimise potential harm to the environment.

In line with the Group's business model, which focuses on core technology, continuous innovation and provision of customised high value-add technology products and solutions to customers, a project team with members selected based on their relevant expertise and experience is formed for each project. In general, a project team consists of a project manager, production engineers and design engineers with expertise in areas such as robotics, mechanical engineering, vision inspection, control optimisation, optics, software automation and firmware programming. The project manager is also actively engaged with the customer to ensure the accuracy and quality of solutions.

The Group placed a high importance to deliver high-quality customised product solution to customers. In fulfilling customers' requirements and anticipating future demand in technology solution, the Group's research and development team goes hand-in-hand together with the main project team to develop the solution. The research and development team also sets KPIs to develop new solution and/or improve the productivity of existing solution so they could better serve the customer. The intensive research and development activities, has contributed to a higher number of proprietary solutions and as a result, more intellectual properties ("IP") are being filed. The Group has submitted applications to register several of its trademarks and affirmed the relevant statutory declarations in respect of the copyrights of certain software products.

In relation to the Group's IP or proposed solutions, security measures and confidentiality, non-disclosure agreements are also implemented to maintain the confidentiality of proprietary information belonging to the Group and customers. Non-disclosure agreements relating to collaborations with third parties are reviewed by the Company's legal team to protect the IP. The Group also protect stakeholders' data by ensuring data is only accessible to team members in charge while the team members' conduct is governed by the code of conduct.

The Group proposed solution over the years was also contributed from its customers sharing proprietary information about the technology behind its end products. As such, the Group takes the utmost priority in protecting its customer's privacy and data. Customer's privacy and data are categorised based on the sensitivity of the information and the harm that could arise from mishandling. The security measures associated with consumer data, both in physical and electronic format are restricted by user access. Putting an access control will ensure data is protected in this regard controlling the permitted access, modification and/or deletion rights in relation to different categories of customers' data. Access control also restricts data to be transferred out of the Group's database and the activation of audit logs enables authorised and unauthorised access to data to be traced.

In 2022, the Group was not aware of any incident of non-compliance with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters in respect of the use of the Group's products and services that would have a significant impact on the Group. The Group was also not aware of any material infringements of any intellectual property rights owned by third parties or by any third parties of any intellectual property rights owned by us.

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

7) ECONOMIC & OPERATING PRACTICES (CONT'D)

Product Responsibility (Cont'd)

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

Customer complaints are typically directed to the project team. In accordance with the Customer Complaint Procedure Policy, upon receipt of customer complaints, the relevant project team is required to respond to customers within 2 working days. The e-customer complaint process is initiated by lodging an 8D report inside the Group internal system. The relevant project team proceeds to investigate the complaint thoroughly and engages with customers closely to solve the complaint. The relevant project team is required to submit a containment plan to customers and implement it accordingly in not more than 14 days. However, in the event the complaints extend beyond 14 days, the relevant project team will continue to engage with the customers to work within a reasonable timeline to fix the complaints. In 2022, the Group received 1 complaint and it was settled in less than 14 days (2021: 1 complaint; 2020: 3 complaints and all were settled in less than 14 days).

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

If there is a product recall, the relevant project team shall investigate and lodge an 8D report inside the Group internal system to identify the issue within 14 days. Where necessary, the research and development team shall be included to identify the issues. In 2022, the Group did not have any product recall for safety and health reasons.

Support and contribution to communities

The Group's responsibility to the community where the Group lives in go beyond fulfilling a corporate obligation—it is a commitment the Group makes because the Group truly believes the Group owes a large part of the Group's success to the society in which the Group operates. In giving back, the Group pays special attention to the less privileged segment of the Group's society. In 2022, the Group has contributed a total of approximately RM256,000 (2021: RM152,000; 2020: RM145,000) to the communities.

The Group's initiatives are carried out by a community care manager whose core function is to identify causes where the Group can best contribute and effectively support. The Group has stepped forward to organise tuition classes at no cost, for students from underprivileged families. In addition to this, the less well-off are provided with food allowance as a means to alleviate their cost of living.

The Group made various donations to support a few non-governmental organisations ("NGO"). One of the NGOs came with an objective of helping the poor and the needy in the community by providing food and educational aid. The Group also supported an NGO that is dedicated in promoting hospice and palliative care in Asia and the Pacific. Hospice and palliative care is a form of providing comprehensive comfort care as well as support for the family in alleviating life-threatening illnesses. Lastly, the Group is also extending financial support to animal shelter.

In line with the Group's belief that education is the key to the long-term betterment of life, the Group has donated to several local schools. The Group continues to support the internship program to young graduates to support their interest in developing career in the semiconductor sector. The Group also provides industrial training to students from universities, colleges, polytechnics and other technical/vocational institutions. The Group is committed towards local employment and hires most of its employees locally. As the Group's operation is predominantly based in Malaysia, more than 90% of its employees are locals.

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

Corporate Governance Overview Statement

The Board of Directors recognises the importance of good corporate governance and the need to ensure that it is observed and practised throughout the Group. It strives to continually improve and comply with the principles and recommendations on corporate governance as articulated in the Malaysian Code on Corporate Governance 2021 ("MCCG 2021").

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

- in conjunction with management, establishing a vision and strategies for the Group;
- approving the Group's annual business plan and budget;
- approving specific items of material capital expenditure and investments and disinvestments;
- appointing Directors to the Board;
- appointing and approving the terms and conditions of appointment of Executive Directors;
- approving any significant changes to accounting policies;
- approving the quarterly financial statements;
- approving the annual financial statements;
- approving any interim dividends and recommending any final dividends to shareholders;
- approving all circulars, statements and corresponding documents sent to shareholders;
- approving the terms of reference and membership of Board Committees; and
- approving Company policies which may be developed from time to time.

Roles and responsibilities

In fulfilling its function, the Board assumes, among others, the following responsibilities:

- Promoting, together with senior management, good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour
- Providing leadership and strategic directions for the Group which supports long term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability
- Overseeing the proper conduct of the business
- Ensuring prudent and effective controls and risk management system
- Reviewing the performance of management
- Overseeing the development and implementation of shareholder communication policy

In looking into future growth, the Group continues to grow its customer base into industries other than the semiconductor industry by leveraging on its core competencies in providing automation solution. This strategy of customer risk diversification and penetration into other industries is a risk strategy to mitigate against the highly cyclical nature of the semiconductor industry and also to ensure that the Group's earnings is not too dependent on a single industry.

The Board continues to monitor the execution of the strategies adopted to grow its customer base and diversify into other industries by leveraging on its core competencies. This strategy which is delegated to the Executive Directors to implement is reported back to the Board on a periodical basis. In executing the strategy, the Board will constantly advise management to be mindful of inventory levels and credit risks on receivables. The Board monitors these two important areas regularly at its quarterly meetings. The Audit Committee assists the Board to monitor other areas of internal control over material areas of the Group's operations through the internal audit function. Areas of concern and recommendations put forward by the internal auditors are reported back to the Audit Committee and the Board for appropriate action to be taken.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Separation of position of Chairman and Executive Director

The Executive Chairman is responsible for the conduct of Board meetings and ensures that Board discussions are conducted in a manner that all views are taken into account before a decision is made. The Executive Director has the general responsibility for day-to-day running of the Group's business, implementation of Board policies and making of operational decisions duly assisted by the Management team. The positions of the Executive Chairman and the Executive Director are held by different individuals.

Independence of Chairman from Board Committees

The Executive Chairman maintains independence from the Board Committees and is not a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Company Secretary

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

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

Access to information and advice

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

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

Board Charter

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Code of conduct

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

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

Anti-Corruption and Bribery Policy and Whistleblowing policy

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

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

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

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

Sustainability Strategy

In setting the Group's overall business strategy, the Board took into consideration and implemented strategies and practices that would promote sustainable growth for the Group. The Group is committed to ensuring the long-term sustainability of the Group's businesses by embedding various sustainability measures in the Group's business operations. The Group's environmental, social and governance ("ESG") strategy is determined at the Board which provides oversight of the Group's ESG performance. Key performance indicator target is set to support the Group's long-term sustainability strategy. To achieve this sustainability target, the Board continuously engages with the ESG committee which is led by the Group's Operation Director and Chief Financial Officer.

The Board also assess the sustainability risks through its Risk Management Committee which explicitly oversees various risks faced by the Group. The Board through its ESG committee views and monitors the Group's ESG policies and practices on a regular basis, ensuring compliance with legal and regulatory requirements. The ESG committee is responsible to:

(i) oversee and execute the Group's sustainability strategy;
(ii) review and ensure proper disclosure and compliance with the relevant ESG Guidelines;
(iii) review the annual ESG risks;
(iv) present and regularly report to the Board on sustainability performance; and
(v) make recommendations to enhance sustainability strategies and practices

The ESG committee ensures that the Board stays abreast and understands the sustainability issues relevant to the Group.

The sustainability strategy is set out in the Sustainability Statement set out in this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Directors' Fit and Proper Policy

The Board has on 12 May 2022 adopted the Directors' Fit and Proper Policy to ensure a formal, rigorous and transparent process for appointment and re-election of directors of the Group. The Directors' Fit and Proper Policy is available on the Company's website at https://www.pentamaster.com.my.

II. Board Composition

The Board presently has six (6) members which consists of two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. Under the recommendation of MCCG 2021, at least half of the Board should comprise Independent Directors. The Board will look into bringing its composition to be in line with the recommendation under MCCG 2021.

Given the nature and scope of the Group's operations, the Board considers that the current composition of the Board is of the appropriate size and with the right mix of skills and experience in meeting the Group's current needs and requirements. A profile of each Director is presented on page 17 to 21 of this Annual Report.

Annual assessment of independent directors

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

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

Tenure of directors

The MCCG 2021 recommends that the composition of the Board is refreshed periodically. The tenure of each director should be reviewed by the Nominating Committee and the annual re-election of a director should be contingent on satisfactory evaluation of the director's performance of and contribution to the Board.

The Board does not have a policy requiring the composition of the Board to be refreshed periodically. Re-election of directors is done in accordance with the Company's constitution and the Listing Requirements which require the directors to retire from office at least once in every 3 years with such directors being eligible for re-election. The Nominating Committee ensures the leadership of the Group through the Board is equipped with the right skills and experience to steer the Group towards its long-term strategy and goals. The Nominating Committee also ensures that the Board can function optimally for the current needs of the Company and the Group.

The MCCG 2021 further recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval.

The Board does not have a policy which limits the tenure of an Independent Director to nine (9) years as it believes that the tenure of service is not a major factor to determine the independence of a Director. As at the date of this Annual Report, the Company does not have any Independent Director that has served for more than nine (9) years.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Criteria used in recruitment and annual assessment

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

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

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

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

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

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

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

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

Time commitment of directors

The Board meets at least four (4) times a year to review and approve the quarterly and year-end financial results. Additional meetings are convened as necessary, when there are urgent and important matters that require the Board's deliberation. Board members may also be nominated to serve on Board Committees which hold their own meetings. Directors and Board Committee members are normally furnished with papers, reports and material relevant to the issues to be discussed one week prior to the meetings and are expected to review such material beforehand so that meaningful discussion can take place during meetings. This expectation of time commitment is communicated to new Board members before they are appointed. Directors should also notify the Chairman before accepting any new directorship in other listed companies to assess whether they will be able to devote sufficient time to the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Time commitment of directors (cont'd)

During the financial year ended 31 December 2022, there were four (4) Board meetings held. The commitment of the Directors in carrying out their duties is reflected in full attendance of the Directors at Board meetings held during the financial year as shown below:

Name of Director	Designation	Attendance
Chuah Choon Bin	Executive Chairman	4/4
Gan Pei Joo)	Executive Director	4/4
Leng Kean Yong	Non-Independent Non-Executive Director	4/4
Dato' Loh Nam Hooi	Non-Independent Non-Executive Director	4/4
Lee Kean Cheong	Independent Non-Executive Director	4/4
Roslinda Binti Ahmad (Appointed w.e.f. 7 April 2023)	Independent Non-Executive Director	-

Continuing education programmes

All Directors have completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia. The Directors recognise the need to continue to undergo relevant training programmes to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation as a Board member.

During the financial year ended 31 December 2022, the current Directors of the Company had attended training programme, seminars or conferences organised externally. The programmes attended by the current Directors during the year, include the following:

Name of Directors	Name of Course	Mode of training	Number of day (s) spent
Chuah Choon Bin	Grant Thornton: Budget 2023	Webinar	0.5
Gan Pei Joo	AmBank Group ESG Day	Webinar	0.5
	Virtual CFO Event – Advancements in ESG Reporting	Webinar	0.5
	Virtual CFO Event – Considering IFRIC Agenda Decisions and Other Hot Topics in MFRS Financial Reporting	Webinar	0.5
	Highlights from Budget 2023 – in collaboration with PwC Malaysia	Webinar	0.5
	Task Force on Climate-Related Financial Disclosures (TCFD): The core of sustainabiilty reporting	Webinar	0.5
	Effects of climate-related risks on MFRS financial statements	Webinar	0.5

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Continuing education programmes (cont'd)

Name of Directors	Name of Course	Mode of training	Number of day (s) spent
Leng Kean Yong	14th Annual Malaysia Corporate Day	Webinar	0.5
	Asian Financial Forum 2022	Webinar	2.0
	CGS-CIMB Securities: Technology & Electric Vehicle Virtual Conference 2022	Webinar	0.5
	Grant Thornton: Creating Competitive Advantage Through Sustainability	Webinar	0.5
	MSCI: Capital for Climate Action Conference	Webinar	2.0
	CGS-CIMB Securities: 9th Annual China Smartphone Virtual Corporate Day	Webinar	2.0
	Credit Suisse: 23rd Credit Suisse Asian Technology Conference	Webinar	3.0
	JP Morgan: Invest Malaysia 2022 : Building Resilience amidst Volatility	Webinar	1.0
	JP Morgan: Global TMT Conference in Asia	Webinar	1.0
	CLSA: Malaysia 15th General Election and Beyond	Webinar	1.0
Dato' Loh Nam Hooi	Grant Thornton: Budget 2023	Webinar	0.5
Lee Kean Cheong	UHY: Briefing on Transfer Pricing Documentation	Webinar	1.0
	KPI Made Easy: Business Management & Organization	Webinar	1.0
	The Malaysian Institute of Certified Public Accountants (MICPA): Environmental, Social and Governance - Towards a Zero Carbon Future: The New Funding Landscape & Supply Chain Opportunities	Webinar	1.0
	Singapore Institute of Directors (SID): Environment, Social and Governance Essentials (Core)	Webinar	1.0
	FinSource: Mergers and Acquisitions	Webinar	2.0
	CPA Australia: Key income tax updates in 2022	Webinar	1.0

Gender Diversity Policy

The Board acknowledges the recommendations of the MCCG 2021 on the establishment of a gender diversity policy and the composition of the Board which comprises at least 30% women directors. The Board via the Nominating Committee will consider female representation when suitable candidates are identified underpinned by the overriding primary aim of selecting the best candidate to support the Group's objectives. On the other hand, the Board places importance on the composition of Board members based on meritocracy and in line with the Group's vision and mission.

The Board has fulfilled the recommendation of the MCCG 2021 of having at least 30% women directors on board. With the appointment of Pn. Roslinda Binti Ahmad w.e.f. 7 April 2023, the Board has two (2) woman directors which represents 33% of the composition of the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Nominating Committee

The Nominating Committee comprises wholly Non-Executive Directors. The key duties and responsibilities of the Nominating Committee include the following:

a) to bring to the Board recommendations as to the appointment of any new executive or non-executive director and the Directors to fill the seats on Board Committees;

b) to assess the effectiveness of the Board of Directors as a whole, the Board Committees and contribution of each individual Director on an annual basis. In developing such recommendations, the Nominating Committee will consult all Directors and reflects that consultation in any recommendation of the Nominating Committee brought forward to the Board;

c) to review the required mix of skills, experience, gender diversity and other qualities, including core competencies, of the members of the Board;

d) to review and assess the independence of Independent Directors on the Board; and

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

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

Currently, the members of the Nominating Committee are Pn. Roslinda Binti Ahmad (Chairman), Dato' Loh Nam Hooi and Mr. Lee Kean Cheong.

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

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

III. Remuneration

Remuneration policies and procedures

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

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

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

Currently, the Remuneration Committee members are Mr. Leng Kean Yong (Chairman), Pn. Roslinda Binti Ahmad and Mr. Lee Kean Cheong.

The Remuneration Committee has met once during the financial year.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (Cont'd)

Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 December 2022 are disclosed in the Corporate Governance Report which is available on the Company's website at https://www.pentamaster.com.my.

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

Remuneration Band (in RM)	Number of senior management
500,000 to 550,000	1
600,000 to 650,000	1
700,000 to 750,000	2
751,000 to 800,000	1
Total	**5**

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

Audit Committee Composition

The Audit Committee of the Company comprises two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director with appropriate professional qualifications including accounting and related financial management expertise. The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Lee Kean Cheong, who is a member of the Malaysian Institute of Accountants. Other members of the Audit Committee are Dato' Loh Nam Hooi and Pn. Roslinda Binti Ahmad. The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee's duties and powers include, among others:

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

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

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

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

- to review the Company's financial information;

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I. Audit Committee (Cont'd)

Audit Committee Composition (cont'd)

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

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

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

The Audit Committee requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee and such practice was formalised and incorporated in the Terms of Reference of the Audit Committee.

Compliance with applicable financial reporting standards

The Directors aim to present a fair assessment of the Group's financial performance, position and prospects primarily through the quarterly reports to Bursa Malaysia as well as the Annual Report to shareholders.

The Board aims to ensure that it fulfills its responsibility in the area of financial reporting by appointing a suitably qualified finance manager to oversee the financial reporting function. The Board is also assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting. Towards this end, the Audit Committee meets to discuss and review the quarterly results and the year-end financial statements together with the finance manager and the external auditors where applicable before the financial reports are recommended to the Board for approval and public release.

Suitability, objectivity and independence of external auditors

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

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

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I. Audit Committee (Cont'd)

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

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

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

II. Risk Management and Internal Control Framework

Framework to manage risks

The Board is responsible for establishing a sound framework to manage risks and maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets as required by the MCCG 2021. The Directors also have a general responsibility for taking reasonable steps to prevent and detect fraud and other irregularities. The Statement on Risk Management and Internal Control set out in this Annual Report, provides an overview of risk management and the state of internal control within the Group.

Internal audit function

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

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

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

The Audit Committee Report set out in this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

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

I. Communication with Stakeholders

Corporate disclosure policies and procedures

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

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

The Company strives to ensure that information that is released is in a manner that would obtain wide public dissemination. Disclosure of material information by the Company is first made by an announcement to Bursa Malaysia via the BURSA LINK. All announcements are also made available on the Company's website. Press conferences may be held if the Board is of the opinion that it would draw better attention to the information that is to be disseminated.

However, the Company will ensure that any such information will be first released or simultaneously released to Bursa Malaysia. The Company will ensure that material information will not be made on an individual or selective basis to any individual or group if it has not been disclosed and disseminated to the public.

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

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

Where unusual market activity of the Company's securities occurs, the Company will undertake a due enquiry among the Board members and senior management to seek the cause of the unusual market activity and take appropriate action. If the Company determines that the unusual market activity results from material information that has already been publicly disclosed, it will take no further action.

All Board members and parties who are insiders are aware of the provisions of the Capital Markets and Services Act 2007 and the Companies Act 2016 with regards to prohibition of trading in the securities of the Company on the basis of material information which is not known to the public. In addition, affected persons are notified of the restrictions in dealing in the Company's securities while in possession of price-sensitive information and during closed periods unless the procedures for dealings during closed periods as set out in the Listing Requirements have been complied with.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

I. Communication with Stakeholders (Cont'd)

Use of information technology to disseminate information

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

II. Conduct of General Meetings

Shareholder participation at general meetings

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

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

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

Poll voting

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

Communication and proactive engagement with shareholders

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.

Communication with shareholders is summarised below:

- the Board will maintain an on-going dialogue with the shareholders and particularly for communicating with them and encouraging their participation through annual general meetings or other general meetings;
- information will be communicated to the shareholders through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures submitted to Bursa Malaysia via the BURSA LINK;
- effective and timely dissemination of information to the shareholders will be ensured at all times;
- the Company will assign dedicated employee(s) to be in charge of ensuring effective and timely dissemination of information to shareholders;
- the Company will provide shareholders with ready access to understandable information about the Company;

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. Conduct of General Meetings (Cont'd)

Communication and proactive engagement with shareholders (cont'd)

- the Company will take steps to solicit and understand the views of shareholders and other stakeholders;
- the Company will facilitate shareholders' participation in annual general meetings and make available the chairman of the board committees and advisory panel(s) (if any), appropriate management executives, auditors at annual general meetings to answer questions from shareholders; and
- Shareholders may, at any time, direct questions, communicate their views on various matters affecting the Company or the Group, request for publicly available information and provide comments and suggestions to directors or management of the Company through the prescribed channel stated in the below paragraphs.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication will be provided to the shareholders in plain language to facilitate shareholders' understanding. Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communication.

A dedicated investor relation section is available on the Company's website at https://www.pentamaster.com.my and a dedicated email, ie. investor.relation@pentamaster.com.my has been assigned for shareholders to communicate with the Company. Information on the website is updated regularly.

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 about the Group to the investors.

Having considered the multiple channels of communication during the year, the Board considers its effort in communicating with shareholders in 2022 to be effective. The Board does not receive any complaints regarding shareholders' communication in 2022.

Procedures for putting enquiries to the Board of Directors

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

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

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

Compliance Statement

Save as disclosed, throughout the financial year ended 31 December 2022, the Group has complied with all the principles and recommendations of the MCCG 2021.

This statement was made in accordance with a Board of Directors' resolution dated 26 April 2023.

Statement On Risk Management and Internal Control

Pursuant to Paragraph 15.26(b) of the Listing Requirements, the Board is pleased to provide the following statement on the state of risk management and internal control of the Group, which had been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

Board's Responsibility

The Board is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal control of the Group during the year.

The system of risk management and internal control covers finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. There is an ongoing process to identify, evaluate and manage significant risk faced or potentially to be encountered by the Group. The process is regularly reviewed by the Board.

Due to the limitations that are inherent in any system of internal controls, these systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives and it can only provide reasonable and not absolute assurance against material misstatement or loss.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control risks, are operated with the assistance of management throughout the period. The Board has received assurance from the Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

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

Risk Management and Internal Control Structure

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

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

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

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

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

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

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

Risk Management and Internal Control Structure (Cont'd)

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

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

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

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

Risk Management Process

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

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

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

(c) The likelihood of major risks materialising; and

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

Control Environment

The Group has in place a proper control environment which emphasises on quality and performance of the Group's employees through the development and implementation of human resource policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organisation.

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

Internal Audit Function

The Board has outsourced its internal audit activities to a professional service firm to support the internal audit function. The Internal Auditors report directly to the Audit Committee. The outsourcing of the internal audit function coupled with the fact that the Internal Auditors report directly to the Audit Committee helps to ensure that internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits. The personnel who carry out internal audit work are free from any relationships or conflict of interest which could impair their objectivity and independence. The scope of work in internal audit is carried out in accordance with an internal audit plan approved by the Audit Committee. The audit plan focused on high-risk areas identified through the Group's risk evaluation process.

The Board is of the opinion that the Group's system of internal controls is adequate based on the report and findings in the internal auditors' report for the financial year ended 31 December 2022. Nevertheless, the internal control systems will continue to be reviewed, enhanced or updated in line with changes in the operating environment.

Review of the Statement of Risk Management and Internal Control by External Auditors

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this statement of risk management and internal control for inclusion in the Annual Report for the financial year ended 31 December 2022 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

Conclusion

The Board is of the opinion that the system of internal control and risk management is in place for the year under review, and up to the date of this statement is effective and adequate to safeguard the shareholders' investment and the Group's assets.

This statement was made in accordance with a Board of Directors' resolution dated 26 April 2023.

Audit Committee Report

1. MEMBERSHIP AND MEETINGS

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

	Name and designation	Attendance
Chairman:	Lee Kean Cheong (Independent Non-Executive Director)	4/4
Members:	Dato' Loh Nam Hooi (Non-Independent Non-Executive Director)	4/4
	Leng Kean Yong (Non-Independent Non-Executive Director) (Ceased as member w.e.f. 7 April 2023)	4/4
	Roslinda Binti Ahmad (Independent Non-Executive Director) (Appointed as member w.e.f. 7 April 2023)	-

2. TERMS OF REFERENCE

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

The Board is satisfied that the Audit Committee and its members have discharged their responsibilities during the financial year in accordance with the terms of reference of the Audit Committee.

3. SUMMARY OF WORK DURING THE FINANCIAL YEAR

The Audit Committee met four (4) times during the financial year ended 31 December 2022 and had carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee:

Financial reporting

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

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

c) Reviewed the audited financial statements of the Group and Company for the financial year ended 31 December 2021 before recommending the same to the Board of Directors for approval.

External Audit

a) Reviewed the status of the audit for the financial year ended 31 December 2021 with the external auditors. The external auditors briefed the Audit Committee on the progress of the annual audit and issues discussed with management. The Audit Committee was informed that there were no significant changes to the scope or audit approach as compared to the audit plan. The external auditors briefed the Audit Committee on key audit matters that were of significance in the audit of the financial statements of the Group and of the Company and how those matters were addressed in the context of the audit.

b) Reviewed the independence of the external auditors. The external auditors confirmed that they were independent of the Group and of the Company and that members of their engagement team and the firm have complied with the relevant ethical requirements regarding independence, including the Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, in the conduct of their audit engagement.

3. SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONT'D)

External Audit (Cont'd)

c) Reviewed the extent of assistance rendered by management in the course of the audit and based on feedback from the external auditors, the Audit Committee was satisfied that management had co-operated fully and the external auditors were able to obtain information requested to carry out their work. The external auditors also reported that based on the audit work performed the auditors have not identified any major matters to highlight to the Audit Committee.

d) Reviewed the audit fees and the performance of the external auditors and was satisfied with the conduct of their professional work and the timeliness of completion of their work to meet the reporting deadline. Accordingly, the Audit Committee recommended the re-appointment of the external auditors at the annual general meeting.

e) Reviewed and approved the external auditors' audit plan for the Group and the Company for the year ending 31 December 2022 which covered the key areas of audit focus and the audit approach for each area identified. The Audit Committee was briefed on amendments to accounting standards issued by the Malaysian Accounting Standards Board. The Audit Committee also reviewed and agreed to the proposed reporting timeline of the audit for the financial year ending 31 December 2022 to meet the reporting deadlines.

Internal audit and risk management

a) Met with the internal auditors twice during the year to receive internal audit reports on internal audit activities that had been conducted in accordance with an audit plan approved by the Audit Committee. Relevant members of management including the Executive Directors were invited to attend the Audit Committee meetings to provide insight and clarification on specific matters raised in the internal audit reports and their views on internal audit recommendations.

b) Reviewed the status updates provided by the internal auditors in respect of implementation of management action plans or agreed course of action on the findings reported in previous audit cycles to ensure that issues that have been highlighted were resolved satisfactorily.

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

Other matters

a) Reviewed the Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2021 and recommended it to the Board of Directors for approval.

b) Reviewed and approved the Audit Committee Report for the financial year ended 31 December 2021 for inclusion in the Company's Annual Report 2021.

4. INTERNAL AUDIT FUNCTION

The Board has outsourced its internal audit activities to a professional service firm to support the internal audit function. The internal auditors report directly to the Audit Committee. The outsourcing of the internal audit function coupled with the fact that the internal auditors report directly to the Audit Committee helps to ensure that internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits. The personnel who carry out internal audit work are free from any relationships or conflict of interest which could impair their objectivity and independence. The cost incurred for the internal audit function in respect of the financial year ended 31 December 2022 was RM60,000.

5. SUMMARY OF WORK OF THE INTERNAL AUDITORS

During the financial year ended 31 December 2022, internal audit reviews have been carried out according to the internal audit plan, which has been approved by the Audit Committee. The internal audit reviews covered purchasing management, logistics management, facilities management, treasury management and IT asset management of major subsidiaries in the Group. The findings and recommendations were highlighted to management for their comments and further action. Internal audit reports were presented to the Audit Committee and also reported to the Board.

Directors' Responsibility Statement

In Respect of The Annual Audited Financial Statements

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

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

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

Other Information

MATERIAL CONTRACTS

The Company and its subsidiaries do not have any material contracts involving the interest of its Directors and major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

MATERIAL CONTRACTS RELATING TO LOANS

The Company and its subsidiaries do not have any material contracts relating to loan involving the interest of its Directors and major shareholders.

SHARE AWARD SCHEME 2020

On 1 April 2020, Pentamaster International, a 63.9%-owned subsidiary of the Company adopted a share award scheme (the "Share Award Scheme 2020") in which employees of Pentamaster International and its subsidiaries ("PIL Group") will be entitled to participate. The purpose of the Share Award Scheme 2020 is to recognise the contributions by certain employees and to incentivise them to achieve PIL Group's long-term business goals and objectives. The Share Award Scheme 2020 also serves as part of PIL Group's employee retention program in retaining its existing employees and to attract suitable personnel for further development of PIL Group.

During the year ended 31 December 2022, a sum of approximately HK$25.6 million (equivalent to approximately RM13.9 million) (31 December 2021: HK$4.1 million (equivalent to approximately RM2.2 million)) has been used to acquire 24,618,000 shares (31 December 2021: 3,110,000 shares) of Pentamaster International (the "PIL Shares") from the open market by the trustee of the scheme. During the year ended 31 December 2022, 18,000,000 PIL Shares have been granted to eligible directors and employees of the Group under the Share Award Scheme 2020 (31 December 2021: 11,402,000).

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

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

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

UTILISATION OF PROCEEDS

1) Share Award Scheme 2017

Subsequent to obtaining approval from the Company's shareholders on 16 November 2017 and in relation to the listing of Pentamaster International on The Stock Exchange of Hong Kong Limited ("PIL Listing"), the Company adopted a share award scheme on 8 December 2017 to recognise contributions made by certain Directors and employees of PIL Group ("Share Award Scheme 2017"), and to provide the eligible employees with incentives in order to retain them for the continual operation, growth and further development of the PIL Group. The utilisation of proceeds of RM29.5 million raised from the Share Award Scheme 2017 up to 31 December 2022 is as follows:

Purpose	Proposed Utilisation (RM'000)	Gross Proceeds Received (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe	Balance (RM'000)
Payment of staff salaries and benefits	4,500	4,500	4,500	Within one (1) year	-
Purchase of raw materials such as sensors, control panels, input/output control and computer field bus system and other services such as subcontracting work	20,000	20,000	2,048	Within eight (8) years[(3)]	17,952
General administrative and operating expenses	5,000	5,000	5,000	Within one (1) year	-
Total	**29,500**	**29,500**	**11,548**		**17,952**

2) PIL Listing

The utilisation of proceeds of RM87.1 million from the offer for sale by the Company in conjunction with the PIL Listing up to 31 December 2022 is as follows:

Purpose	Proposed Utilisation		Gross Proceeds Received[(2)] (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Balance (RM'000)
	Minimum Scenario[(1)] (RM'000)	Maximum Scenario[(1)] (RM'000)				
Business expansion through investment and acquisition	33,972	37,775	32,741	5,000	Within eight (8) years[(3)]	27,741
Investment into technology related solutions and business applications	29,726	33,059	28,648	26,129	Within eight (8) years[(3)]	2,519
Working capital	21,172	23,549	20,405	20,405	Within five (5) years	-
Defray estimated expenses in relation to Listing Exercise, bonus issue and share split, collectively	5,508	5,508	5,306	5,306	Within six (6) months	-
Total	**90,378**	**99,891**	**87,100**	**56,840**		**30,260**

Notes:

(1) The minimum and maximum scenario under the proposed utilisation was based on the indicative offer price in relation to the PIL listing of HKD0.95 and HKD1.05 respectively.

(2) The actual gross proceeds received was based on the actual offer price of HKD1.00 in relation to PIL listing. The difference between the gross proceeds received and the proposed utilisation was due to the difference in the conversion rate.

(3) The original intended timeframe for utilisation of two (2) years was extended to five (5) years on 17 January 2020 and further extended to eight (8) years on 18 January 2023.

Other Information

AUDIT FEES AND NON-AUDIT FEES

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 December 2022 are as follows:

	Group (RM)	Company (RM)
Audit fees	841,921	70,000
Non-audit fees*	24,500	-
Total	**866,421**	**70,000**

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

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

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

RECURRENT RELATED PARTY TRANSACTIONS

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

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2022**.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	**130,540,342**	**15,222,354**
Attributable to:		
Owners of the Company	**82,418,671**	**15,222,354**
Non-controlling interests	**48,121,671**	**-**
	130,540,342	**15,222,354**

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2022** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the Company had on 22 July 2022 paid a final single tier dividend of 2.0 sen per ordinary share amounting to RM14,226,342 in respect of the financial year ended 31 December 2021.

On 23 February 2023, the Directors recommended a final single tier dividend of 2.0 sen per ordinary share amounting to approximately RM14.2 million in respect of the financial year ended 31 December 2022 for shareholders' approval at the forthcoming Annual General Meeting. The current financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture.

TREASURY SHARES

During the financial year, the Company had repurchased a total of 1,000,000 of its ordinary shares from the open market for a total consideration of RM3,052,249. The average price paid for the shares repurchased was approximately RM3.0522 per share and was financed by internally generated funds. The shares repurchased are held as treasury shares and treated in accordance with the requirements of Section 127(6) of the Companies Act 2016.

As at 31 December 2022, the Company held 1,000,000 treasury shares out of its total 712,317,121 issued ordinary shares. Such treasury shares are held at carrying amount of RM3,052,249 and further relevant details are disclosed in Note 19 to the financial statements.

Directors' Report
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

DIRECTORS

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

Directors of the Company:

Chuah Choon Bin ^
Gan Pei Joo ^
Leng Kean Yong ^
Dato' Loh Nam Hooi
Lee Kean Cheong
Roslinda Binti Ahmad (appointed on 7.4.2023)

^ Directors of the Company and certain subsidiaries.

Directors of the Subsidiaries:

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

Hon Tuck Weng
Chan May May
Chuah Jin Chong
Sim Seng Loong @ Tai Seng
Ng Chin Keng
Dato' Yong Weng Kian
Chuah Chong Ewe
You Chin Teik (appointed on 15.8.2022)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

Directors of the Company

	|----------------- Number of ordinary shares -----------------|			
	Balance at 1.1.2022	**Bought**	**Sold**	**Balance at 31.12.2022**
Interest in the Company				
Direct Interest:				
Chuah Choon Bin	140,420,120	-	-	140,420,120
Gan Pei Joo	40,486	10,000	-	50,486
Lee Kean Cheong	-	10,000	-	10,000
Leng Kean Yong	-	40,000	-	40,000
Dato' Loh Nam Hooi	437,400	-	-	437,400
Indirect Interest:				
Chuah Choon Bin *	138,510	-	-	138,510

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

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Directors of the Company (Cont'd)

	Number of ordinary shares of HKD0.01			
	Balance at 1.1.2022	**Bought/ Shares awarded**	**Sold**	**Balance at 31.12.2022**
Interest in a subsidiary				
Pentamaster International Limited				
Direct Interest:				
Chuah Choon Bin	26,611,200	-	-	26,611,200
Gan Pei Joo	7,703,544	158,333	-	7,861,877
Leng Kean Yong	-	250,000	-	250,000
Dato' Loh Nam Hooi	422,000	590,000	-	1,012,000

	Number of Employee Share Scheme over ordinary shares			
	Balance at 1.1.2022	**Granted**	**Vested**	**Balance at 31.12.2022**
Pentamaster International Limited				
Gan Pei Joo	150,000	250,000	(158,333)	241,667

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

DIRECTORS' REMUNERATION AND BENEFITS

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

	Incurred by the Company RM	**Incurred by the Subsidiaries RM**	**Group RM**
Salaries, bonus and allowance	**16,500**	**3,072,507**	**3,089,007**
Defined contribution plan	**-**	**579,785**	**579,785**
Fees	**232,320**	**229,288**	**461,608**
Benefits-in-kind	**-**	**28,000**	**28,000**
Equity-settled employee share scheme expenses	**-**	**243,897**	**243,897**
	248,820	**4,153,477**	**4,402,297**

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS OR OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for certain directors and officers of the Group were approximately **RM21 million** and **RM28,000** respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(i) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

In the opinion of the directors:

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

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

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

The details of significant events are disclosed in Note 38 to the financial statements.

AUDITORS

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

The total amount of fees paid to or receivable by the auditors and its member firms as remuneration for their services to the Group and the Company for the financial year ended 31 December 2022 are as follows:

	GROUP RM	COMPANY RM
Statutory audit	**841,921**	**70,000**
Assurance related services	**24,500**	**-**
Total	**866,421**	**70,000**

The Company has agreed to indemnify the auditors to the extent permissible under the provisions of the Companies Act 2016 in Malaysia. However, no payment has been made under this indemnity for the financial year.

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

Chuah Choon Bin

Gan Pei Joo

Penang,

Date: 26 April 2023

Directors’ Statement

In the opinion of the directors, the financial statements set out on pages 77 to 151 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2022** and of their financial performance and cash flows for the financial year then ended.

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

Chuah Choon Bin

Gan Pei Joo

Date: 26 April 2023

Statutory Declaration

I, **Chuah Choon Bin**, the director primarily responsible for the financial management of **Pentamaster Corporation Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 77 to 151 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **26th**)
day of **April 2023**.)

Chuah Choon Bin

Before me,

Liew Juan Leng (P162)
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Pentamaster Corporation Berhad**, which comprise the statements of financial position as at **31 December 2022** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 77 to 151.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2022** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilites

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *(Note 28 to the financial statements)*	
The revenue recognition from the automated test equipment and factory automated solutions segments depends on the nature of the contractual arrangement with the customer and this could impact the point at which the control is transferred and service is rendered to the customer. The Group's revenue during the financial year from these activities amounted to approximately RM601 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, amongst others, the following: - Evaluating the assessment performed by management on compliance with revenue recognition policies. - Obtaining an understanding of the Group's revenue recognition process and their application and thereafter testing controls on the occurrence of revenue. - Performing analytical procedures on the trend of revenue recognised to identify for any abnormalities. - Performing substantive testing on a sampling basis 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 the reporting period as well as checking credit notes and sales return issued after the reporting period. - Reviewing the sales ledger and identified for sales transactions that are entered using journals or debit notes and evaluated the nature of the transactions and whether they are bona fide transactions.

Key Audit Matters (Cont'd)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Provision for expected credit losses of trade receivables
(Note 15 to the financial statements)</td></tr>
<tr><td>The Group has significant exposure to credit risk arising from its trade receivables as at 31 December 2022.

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

We have identified provision for ECL of trade receivables as a key audit matter due to the significance of trade receivables and the significant estimation involved in determining the provision for ECL of trade receivables.</td><td>Our audit procedures in relation to the provision for ECL of trade receivables included, amongst others, the following:

- Obtaining an understanding of:
(i) the Group's control over the trade receivables' collection process;
(ii) how the Group identifies and assesses the ECL of trade receivables; and
(iii) how the Group makes the accounting estimates for provision for ECL.

- Evaluating the application of group policy for calculating the ECL.

- Evaluating techniques and methodology in the ECL approach against the requirements of MFRS 9.

- Assessing the reasonableness of estimates and assumptions made by the management in determining the ECL, including evaluating the accuracy of the historical default data, detailed analysis of ageing of receivables and forward- looking information.</td></tr>
<tr><td colspan="2">Valuation of inventories
(Note 14 to the financial statements)</td></tr>
<tr><td>The Group holds significant inventories as at 31 December 2022 which exposes the Group to a risk that the inventories may become slow moving or recorded above their realisable value. Besides, it is also exposed to risks of inaccurate valuation due to inaccurate physical or costing records.

We focused on this area as it involves estimation by the management in determining the valuation of inventories and whether the inventories are stated at the lower of cost and net realisable value.</td><td>Our audit procedures in relation to the valuation of inventories included, amongst others, the following:

- Obtaining an understanding of:
(i) how the Group accounts for the inventory costing, including material prices and cost elements related to production overhead absorption such as labour and other production costs;
(ii) how the Group identifies and assesses inventory write-downs; and
(iii) how the Group makes the accounting estimates for inventory write-downs.

- Performing substantive testing on a sampling basis to verify cost of raw materials to suppliers' invoices.

- Reviewing the valuation and allocation of cost of raw materials, labour cost and overhead cost to the respective products on a sampling basis.

- Attending the year end physical inventory count and paying attention to the physical condition of inventories.

- Reviewing the consistency of the application of management's methodology in determining and estimating the inventories written down from year to year.

- Reviewing and testing the net realisable value of inventories on a sampling basis.

- Evaluating the adequacy of the inventories written down recognised for identified exposures.</td></tr>
</table>

There is no key audit matter to be communicated in the audit of the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matter

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

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

Terence Lau Han Wen
No. 03298/04/2025 J
Chartered Accountant

Penang

Date: 26 April 2023

Statements of Financial Position
AS AT 31 DECEMBER 2022

		GROUP		COMPANY	
		2022	2021	**2022**	2021
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**170,008,725**	135,231,727	**-**	1
Investment properties	**5**	**22,804,769**	19,466,784	**-**	-
Goodwill	**6**	**4,495,368**	4,495,368	**-**	-
Intangible assets	**7**	**40,682,508**	41,474,916	**-**	-
Investment in subsidiaries	**8**	**-**	-	**114,180,055**	109,180,057
Investment in associates	**9**	**20,071,194**	21,706,376	**-**	-
Other investments	**10**	**6,116,721**	-	**-**	-
Other receivables, deposits and prepayments	**11**	**-**	28,224,876	**-**	-
Deferred tax assets	**12**	**-**	221,139	**-**	-
Amount due from a subsidiary	**13**	**-**	-	**25,543,191**	25,543,191
		264,179,285	250,821,186	**139,723,246**	134,723,249
Current assets					
Inventories	**14**	**170,934,251**	72,005,705	**-**	-
Trade receivables	**15**	**237,925,562**	165,312,051	**-**	-
Other receivables, deposits and prepayments	**11**	**60,407,181**	16,064,744	**343,550**	327,189
Amount due from subsidiaries	**13**	**-**	-	**35,012,339**	6,764,413
Derivative financial assets	**16**	**489,010**	1,246,417	**-**	-
Other investments	**10**	**218,310**	373,806	**-**	-
Tax recoverable		**2,790,601**	448,651	**272**	206
Cash and cash equivalents	**17**	**421,225,162**	478,241,273	**89,910,083**	125,263,906
		893,990,077	733,692,647	**125,266,244**	132,355,714
TOTAL ASSETS		**1,158,169,362**	984,513,833	**264,989,490**	267,078,963
EQUITY AND LIABILITIES					
Share capital	**18**	**79,303,370**	79,303,370	**79,303,370**	79,303,370
Treasury shares	**19**	**(3,052,249)**	-	**(3,052,249)**	-
Shares held for employee share scheme ("ESS")	**20**	**(11,477,811)**	(4,270,104)	**-**	-
Employee share scheme reserve ("ESS reserve")	**21**	**3,705,890**	2,266,430	**-**	-
Foreign currency translation reserve	**22**	**(50,627)**	36,171	**-**	-
Retained profits	**23**	**558,358,585**	488,418,558	**188,332,846**	187,336,834
		626,787,158	565,754,425	**264,583,967**	266,640,204
Non-controlling interests		**265,953,680**	229,864,463	**-**	-
Total equity		**892,740,838**	795,618,888	**264,583,967**	266,640,204
Non-current liabilities					
Deferred tax liabilities	**12**	**3,762,024**	4,299,456	**-**	-
Borrowings	**24**	**-**	2,139,858	**-**	-
		3,762,024	6,439,314	**-**	-
Current liabilities					
Trade payables	**25**	**121,527,618**	77,559,912	**-**	-
Other payables, accruals and provision	**26**	**31,798,685**	39,374,988	**399,243**	417,725
Contract liabilities	**27**	**100,581,157**	64,152,383	**-**	-
Amount due to subsidiaries	**13**	**-**	-	**6,280**	21,034
Borrowings	**24**	**-**	425,029	**-**	-
Derivative financial liabilities	**16**	**6,846,688**	-	**-**	-
Tax payable		**912,352**	943,319	**-**	-
		261,666,500	182,455,631	**405,523**	438,759
Total liabilities		**265,428,524**	188,894,945	**405,523**	438,759
TOTAL EQUITY AND LIABILITIES		**1,158,169,362**	984,513,833	**264,989,490**	267,078,963

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

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
	NOTE	**2022 RM**	2021 RM	**2022 RM**	2021 RM
Revenue	**28**	**600,586,987**	508,389,017	**17,191,095**	10,825,310
Cost of goods sold		**(417,367,861)**	(355,784,694)	**-**	-
Gross profit		**183,219,126**	152,604,323	**17,191,095**	10,825,310
Other income		**6,430,934**	11,126,889	**187,167**	191,321
Distribution costs		**(9,965,531)**	(10,623,267)	**-**	-
Administrative expenses		**(57,864,192)**	(39,863,739)	**(1,776,578)**	(6,758,059)
Reversal for expected credit losses on receivables, net		**4,798,324**	1,201,512	**-**	-
Impairment loss on amount due from a subsidiary		**-**	-	**(2,481,633)**	(2,982,871)
Other operating expenses		**(335,923)**	(236,487)	**(184,296)**	(55,510)
Operating profit		**126,282,738**	114,209,231	**12,935,755**	1,220,191
Finance costs		**(87,181)**	(91,994)	**-**	-
Finance income		**7,523,555**	6,833,685	**2,286,599**	2,353,297
Share of loss of associates		**(1,635,182)**	(1,484,666)	**-**	-
Profit before tax	**29**	**132,083,930**	119,466,256	**15,222,354**	3,573,488
Taxation	**30**	**(1,543,588)**	(3,829,642)	**-**	-
Profit for the financial year		**130,540,342**	115,636,614	**15,222,354**	3,573,488
Total other comprehensive (loss)/income, net of tax:					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation of foreign operations		**(135,834)**	56,605	**-**	-
Total comprehensive income for the financial year		**130,404,508**	115,693,219	**15,222,354**	3,573,488
Profit for the financial year, attributable to:					
Owners of the Company		**82,418,671**	72,910,560	**15,222,354**	3,573,488
Non-controlling interests		**48,121,671**	42,726,054	**-**	-
		130,540,342	115,636,614	**15,222,354**	3,573,488
Total comprehensive income for the financial year, attributable to:					
Owners of the Company		**82,331,873**	72,946,731	**15,222,354**	3,573,488
Non-controlling interests		**48,072,635**	42,746,488	**-**	-
		130,404,508	115,693,219	**15,222,354**	3,573,488
Earnings per share attributable to owners of the Company (Sen):					
Basic/Diluted	**31**	**11.58**	10.24		

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

Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Attributable to Owners of the Company								
		Non-distributable					Distributable			
	NOTE	Share Capital RM	Treasury Shares RM	Shares Held for ESS RM	ESS Reserve RM	Foreign Currency Translation Reserve RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
2022										
Balance at beginning		**79,303,370**	**-**	**(4,270,104)**	**2,266,430**	**36,171**	**488,418,558**	**565,754,425**	**229,864,463**	**795,618,888**
Profit for the financial year		**-**	**-**	**-**	**-**	**-**	**82,418,671**	**82,418,671**	**48,121,671**	**130,540,342**
Other comprehensive income for the financial year		**-**	**-**	**-**	**-**	**(86,798)**	**-**	**(86,798)**	**(49,036)**	**(135,834)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**(86,798)**	**82,418,671**	**82,331,873**	**48,072,635**	**130,404,508**
Transactions with owners:										
Dividend paid	**32**	**-**	**-**	**-**	**-**	**-**	**(14,226,342)**	**(14,226,342)**	**-**	**(14,226,342)**
Dividend paid to non-controlling interest		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,712,900)**	**(9,712,900)**
Equity-settled ESS expenses	**21**	**-**	**-**	**-**	**7,574,332**	**-**	**(2,734,334)**	**4,839,998**	**2,734,334**	**7,574,332**
ESS vested	**20, 21**	**-**	**-**	**6,657,692**	**(6,134,872)**	**-**	**(522,820)**	**-**	**-**	**-**
Purchase of shares held for ESS	**20**	**-**	**-**	**(13,865,399)**	**-**	**-**	**5,004,852**	**(8,860,547)**	**(5,004,852)**	**(13,865,399)**
Share buy-back	**19**	**-**	**(3,052,249)**	**-**	**-**	**-**	**-**	**(3,052,249)**	**-**	**(3,052,249)**
Total transactions with owners		**-**	**(3,052,249)**	**(7,207,707)**	**1,439,460**	**-**	**(12,478,644)**	**(21,299,140)**	**(11,983,418)**	**(33,282,558)**
Balance at end		**79,303,370**	**(3,052,249)**	**(11,477,811)**	**3,705,890**	**(50,627)**	**558,358,585**	**626,787,158**	**265,953,680**	**892,740,838**
2021										
Balance at beginning		79,303,370	-	(5,849,424)	-	-	434,971,549	508,425,495	196,878,253	705,303,748
Profit for the financial year		-	-	-	-	-	72,910,560	72,910,560	42,726,054	115,636,614
Other comprehensive income for the financial year		-	-	-	-	36,171	-	36,171	20,434	56,605
Total comprehensive income for the financial year		-	-	-	-	36,171	72,910,560	72,946,731	42,746,488	115,693,219
Transactions with owners:										
Dividend paid	32	-	-	-	-	-	(10,684,757)	(10,684,757)	-	(10,684,757)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	(6,273,090)	(6,273,090)
Effect of changes in shareholding		-	-	-	-	-	(8,328,485)	(8,328,485)	(3,487,188)	(11,815,673)
Equity-settled ESS expenses	21	-	-	-	5,596,959	-	-	5,596,959	-	5,596,959
ESS vested	20, 21	-	-	3,780,838	(3,330,529)	-	(450,309)	-	-	-
Purchase of shares held for ESS	20	-	-	(2,201,518)	-	-	-	(2,201,518)	-	(2,201,518)
Total transactions with owners		-	-	1,579,320	2,266,430	-	(19,463,551)	(15,617,801)	(9,760,278)	(25,378,079)
Balance at end		79,303,370	-	(4,270,104)	2,266,430	36,171	488,418,558	565,754,425	229,864,463	795,618,888

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

Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	NOTE	Share Capital RM	Treasury Shares RM	Distributable Retained Profits RM	Total Equity RM
2022					
Balance at beginning		**79,303,370**	**-**	**187,336,834**	**266,640,204**
Total comprehensive income for the financial year		**-**	**-**	**15,222,354**	**15,222,354**
Transactions with owners:					
Dividend paid	**32**	**-**	**-**	**(14,226,342)**	**(14,226,342)**
Share buy-back	**19**	**-**	**(3,052,249)**	**-**	**(3,052,249)**
Balance at end		**79,303,370**	**(3,052,249)**	**188,332,846**	**264,583,967**
2021					
Balance at beginning		79,303,370	-	194,448,103	273,751,473
Total comprehensive income for the financial year		-	-	3,573,488	3,573,488
Transaction with owners:					
Dividend paid	32	-	-	(10,684,757)	(10,684,757)
Balance at end		79,303,370	-	187,336,834	266,640,204

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

	GROUP		COMPANY	
	2022 RM	2021 RM	**2022 RM**	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**132,083,930**	119,466,256	**15,222,354**	3,573,488
Adjustments for:				
Amortisation of intangible assets	**4,919,305**	5,095,192	**-**	-
Bad debts written off	**-**	382,568	**-**	-
Changes in fair value of foreign currency forward contracts	**7,604,095**	2,089,220	**-**	-
Waiver of debts	**(4,780,000)**	-	**-**	-
Deferred income released	**-**	(1,745,853)	**-**	-
Depreciation	**5,762,328**	4,200,071	**-**	-
Expected credit loss on receivables				
- current year	**1,909,982**	2,024,751	**-**	-
- reversal	**(6,708,306)**	(3,226,263)	**-**	
Gain on disposal of interest in an associate	**-**	(641,162)	**-**	-
Gain on disposal of other investments	**(14,822)**	(100,680)	**-**	-
(Gain)/Loss on disposal of property, plant and equipment	**(57,995)**	1,666,723	**-**	-
Impairment loss on amount due from a subsidiary	**-**	-	**2,481,633**	2,982,871
Impairment loss on investment in subsidiaries	**-**	-	**-**	4,848,024
Interest expense	**87,181**	91,994	**-**	-
Interest income	**(7,523,555)**	(6,833,685)	**(2,286,599)**	(2,353,297)
Inventories written down - addition	**244,748**	362,120	**-**	-
- reversal	**(102,269)**	(344,435)	**-**	-
Loss/(Gain) on changes in fair value of other investments	**15,775**	(22,381)	**-**	-
Property, plant and equipment written off	**38**	795	**1**	-
Provision for warranty - current year	**1,515,000**	1,256,000	**-**	-
- reversal	**(1,256,000)**	(647,000)	**-**	-
Share of loss of associates	**1,635,182**	1,484,666	**-**	-
Equity-settled ESS expenses	**7,574,332**	5,596,959	**-**	-
Unrealised loss/(gain) on foreign exchange	**885,408**	(4,350,613)	**75,522**	(38)
Operating profit before working capital changes	**143,794,357**	125,805,243	**15,492,911**	9,051,048
Increase in inventories	**(99,071,025)**	(38,187,529)	**-**	-
Increase in receivables	**(87,007,609)**	(24,829,650)	**(91,934)**	(319,484)
Increase/(Decrease) in payables	**41,997,155**	14,513,092	**(18,482)**	(92,344)
Increase in contract liabilities	**36,428,774**	48,681,514	**-**	-
Cash generated from operations	**36,141,652**	125,982,670	**15,382,495**	8,639,220
Income tax paid	**(4,479,294)**	(4,491,602)	**(66)**	(96)
Income tax refunded	**246,496**	881,830	**-**	-
Interest paid	**(87,181)**	(91,994)	**-**	-
Net cash from operating activities/ Balance carried forward	**31,821,673**	122,280,904	**15,382,429**	8,639,124

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

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
		2022	2021	**2022**	2021
	NOTE	**RM**	RM	**RM**	RM
Balance brought forward		**31,821,673**	122,280,904	**15,382,429**	8,639,124
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of other investments		**(6,253,929)**	(740,720)	**-**	-
Acquisition of interest of non-controlling interest in a subsidiary		**-**	(11,815,680)	**-**	(11,815,680)
Interest received		**7,523,555**	6,833,685	**2,286,599**	2,353,297
Investment in an associate		**-**	(32,880)	**-**	-
Investment in a subsidiary		**-**	-	**(4,999,998)**	(2)
Investment in redeemable convertible preference shares of an associate		**-**	(15,000,000)	**-**	-
Net changes in related subsidiaries' balances		**-**	-	**(30,744,313)**	(207,012)
Proceeds from disposal of other investments		**291,751**	1,166,431	**-**	-
Proceeds from disposal of sale of associate		**-**	66,240	**-**	-
Proceeds from disposal of property, plant and equipment		**58,000**	-	**-**	-
Purchase of intangible assets		**(4,126,897)**	(5,858,740)	**-**	-
Purchase of investment properties		**(3,582,500)**	-	**-**	-
Purchase of property, plant and equipment		**(40,608,699)**	(37,587,938)	**-**	-
Net cash used in investing activities		**(46,698,719)**	(62,969,602)	**(33,457,712)**	(9,669,397)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loan	**A**	**(2,564,887)**	(411,286)	**-**	-
Dividend paid		**(14,226,342)**	(10,684,757)	**(14,226,342)**	(10,684,757)
Dividend paid to non-controlling interest of a subsidiary		**(9,712,900)**	(6,273,090)	**-**	-
Purchase of shares in a subsidiary for ESS		**(13,865,399)**	(2,201,518)	**-**	-
Purchase of treasury shares		**(3,052,249)**	-	**(3,052,249)**	-
Net cash used in financing activities		**(43,421,777)**	(19,570,651)	**(17,278,591)**	(10,684,757)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(58,298,823)**	39,740,651	**(35,353,874)**	(11,715,030)
Effects of foreign exchange rate changes		**1,282,712**	1,179,411	**51**	38
CASH AND CASH EQUIVALENTS AT BEGINNING		**478,241,273**	437,321,211	**125,263,906**	136,978,898
CASH AND CASH EQUIVALENTS AT END		**421,225,162**	478,241,273	**89,910,083**	125,263,906

A. Liability arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities is as follows:

	Balance at beginning RM	Net Cash flows RM	Balance at end RM
Group			
2022			
Term Loan	**2,564,887**	**(2,564,887)**	**-**
2021			
Term Loan	2,976,173	(411,286)	2,564,887

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

1. **CORPORATE INFORMATION**

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Penang.

The principal place of business of the Company is located at Plot 18 & 19, Technoplex, Medan Bayan Lepas, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2023.

Principal Activities

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. **BASIS OF PREPARATION**

2.1 **Statement of Compliance**

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

2.2 **Basis of Measurement**

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

2.2 **Basis of Measurement** (Cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 **Functional and Presentation Currency**

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 **Adoption of Amendments to MFRSs**

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following amendments to MFRSs that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 April 2021
Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022
Amendments to MFRS 3 Business Combination - Reference to the Conceptual Framework
Amendments to MFRS 116 Property, Plant and Equipment - Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020

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

2.5 **Standards Issued But Not Yet Effective**

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

Effective for annual periods beginning on or after 1 January 2023
MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments
Amendments to MFRS 17 Insurance Contracts
Amendments to MFRS 17 Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

Effective for annual periods beginning on or after 1 January 2024
Amendments to MFRS 16 Leases - Lease liability in a Sale and Leaseback
Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants

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

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption.

2.6 **Significant Accounting Estimates and Judgements**

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

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

2.6.1 **Judgements made in applying accounting policies**

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

(i) **Revenue recognition**

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

The details of revenue recognised during the financial year are disclosed in Note 28 to the financial statements.

2.6.2 **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Useful lives of depreciable assets**

Assets including machineries, equipment and intangible assets are depreciated/amortised on a straight-line basis over their estimated useful lives. Management estimates that the useful life of these assets 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 these assets.

The carrying amount and depreciation/amortisation charges of property, plant and equipment and intangible assets are disclosed in Note 4 and Note 7 to the financial statements respectively.

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

2.6 **Significant Accounting Estimates and Judgements** (Cont'd)

2.6.2 **Key sources of estimation uncertainty** (Cont'd)

(ii) **Inventories**

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

The inventories written-down to their net realisable value are disclosed in Note 14 to the financial statements.

(iii) **Provision for expected credit losses of trade receivables**

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses 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 provision for expected credit losses is disclosed in Note 15 to the financial statements.

(iv) **Research and development costs**

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset only when all the criteria as set out in MFRS138 Intangible assets are met, whereas research costs are expensed as incurred. The Group's management also monitor whether the recognition requirements for development cost continue to be met.

As at 31 December 2022, the net carrying amount of capitalised development costs is **RM24,197,019** (2021: RM22,661,602).

3. ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Basis of Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserve.

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

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

(iv) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee.

(v) **Non-controlling interests**

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

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

(vi) **Transactions eliminated on consolidation**

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

3.2 **Associates**

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

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

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

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group’s interest in the associate. Where 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.

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

3.2 **Associates** (Cont'd)

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

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

3.3 **Property, Plant and Equipment**

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

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

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

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

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress 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 proceeds and its carrying amount is recognised in profit or loss.

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

3.4 Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost. Initial cost comprises purchase price and any directly attributable expenditure for a purchased investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

The investment properties consist of leasehold commercial units which are depreciated on a straight-line basis over the lease period of 99 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

3.5 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.5.1 Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.5.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

3.5.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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

3.5 **Leases** (Cont'd)

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

3.5.1.2 **Lease liabilities** (Cont'd)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

The Group applies the short-term lease recognition exemption to its short-term leases of premises, hostel and office (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.5.2 **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.6 **Goodwill Arising on Consolidation**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group’s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

3.7 Intangible Assets

Project management right

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

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

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

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

Research and development

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

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

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

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

Computer software

The cost of computer software licences is 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.

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

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

3.7 **Intangible Assets** (Cont'd)

Technical know-how

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

3.8 **Impairment of Non-Financial Assets**

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

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

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.

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

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

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

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

3.9 **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.9.1 **Financial assets**

(i) **Initial recognition and measurement**

Financial assets are measured at initial recognition at fair value and subsequently measured at amortised cost (“AC”), fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s and the Company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, its transaction costs.

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (“SPPI”)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group’s and the Company’s business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

(ii) **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at AC (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at AC

Financial assets at AC are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group’s and the Company’s financial assets at AC include cash and cash equivalents, trade receivables, other receivables and refundable deposits and amount due from subsidiaries.

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

3.9 **Financial Instruments** (Cont'd)

3.9.1 **Financial assets** (Cont'd)

(ii) **Subsequent measurement** (Cont'd)

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognised as other income in the statements of comprehensive income when the right of payment has been established.

The Group's financial assets at FVTPL include investment in RCPS of an associate, derivative financial assets and investments in quoted shares.

Financial assets at FVOCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investment in unquoted shares under this category.

(iii) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

3.9 **Financial Instruments** (Cont'd)

3.9.1 **Financial assets** (Cont'd)

(iii) **Derecognition** (Cont'd)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

(iv) **Impairment**

The Group and the Company recognise allowance for expected credit losses ("ECLs") on financial assets measured at AC, debt investments measured at FVOCI, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss ("ECL"), except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the asset, while 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group estimates the ECLs on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at AC is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether the financial assets carried at AC and debt securities at FVOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts owing. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

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

3.9 **Financial Instruments** (Cont'd)

3.9.2 **Financial liabilities**

(i) **Initial recognition and measurement**

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and accruals, borrowings, derivative financial liabilities and amount due to a subsidiary.

(ii) **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at AC
- Financial liabilities at FVTPL

Financial liabilities at AC

This is the category most relevant to the Group and to the Company. After initial recognition, trade and other payables and accruals, amount due to subsidiaries and interest-bearing borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group's financial liabilities at FVTPL include derivative financial liabilities.

(iii) **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

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

3.9 **Financial Instruments** (Cont'd)

3.9.3 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.9.4 **Derivative financial instruments**

The Group enters into derivative financial instruments such as foreign currency forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

3.10 **Inventories**

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

Costs of all inventories are determined on the first-in, first-out basis.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes direct labour and attributable production overheads.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.11 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.12 **Government Grants**

Government grants, including non-monetary grants, shall not be recognised until there is reasonable assurance attaching to the grants will be complied with and the grants will be received.

Grants related to assets are set up as deferred income and recognised as income on a systematic basis over the estimated useful lives of the assets. Grants related to expenses are recognised as income in the period the grants become receivable. Grants related to future costs are deferred and recognised in the profit or loss in the same period as the related costs.

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

3.13 Provision for Liabilities and Warranty Costs

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

Provision for warranty costs is made in respect of goods sold and still under warranty at the end of the reporting period based on the terms of warranty and historical claim experience.

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

3.14 Revenue Recognition

Contract with customers

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

Sale of equipment

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

The performance obligation for sale of equipment is satisfied at a point in time because the customer does not control the equipment and the customer does not simultaneously receive and consume the benefits from the equipment manufactured by the Group.

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

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

Dividend income

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

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

3.14 **Revenue Recognition** (Cont'd)

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Management fee income

Management fee is recognised when services are rendered.

Rental income

Rental income is recognised on a straight-line basis over the lease terms.

3.14.1 **Contract balances**

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

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

3.15 **Borrowing Costs**

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

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

3.16 **Employee Benefits**

Short term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") 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.

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

3.16 **Employee Benefits** (Cont'd)

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

The employees of the Group's subsidiary which operate in China are required to participate in the central scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of their payroll costs to the central pension scheme. Such contributions are recognised as an expense as incurred.

Share-based employee compensation

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

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

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

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

3.17 **Income Tax**

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements 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.

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

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

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

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

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

3.18 **Indirect Taxes**

3.18.1 **Sales and service tax ("SST")**

SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Revenue is recognised net of the amount of SST billed as it is payable to the taxation authority.

The net SST payable to the taxation authority is included as part of payables in the statements of financial position. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

3.18.2 **Value-added tax**

The Group's sale of goods or services in The People's Republic of China ("PRC") is subjected to value-added tax ("VAT") for PRC's domestic sales. Input VAT on purchases can be deducted from output VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statement of financial position of the Group.

Revenues, expenses and assets are recognised net of the amount of VAT except when the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

3.19 Foreign Currency Translation

(i) **Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

(ii) **Foreign operations**

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign translation reserve ("FTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented in the FTR in equity.

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

3.20 Share Capital, Share Issuance Costs and Dividends

Classification

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

Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

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

3.21 Treasury Shares

When share capital recognised as equity is repurchased, the amount of the consideration paid including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchase shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

The shares cancelled and the adjustments made to reserves should be shown as a movement in equity.

3.22 Earnings Per Ordinary Share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial period, adjusted for own shares held.

3.23 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.24 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position but is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

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

3.25 **Related Parties**

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

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

(i) Has control or joint control over the Group;
(ii) Has significant influence over the Group; or
(iii) Is a member of the key management personnel of the Group.

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

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

4. **PROPERTY, PLANT AND EQUIPMENT**

GROUP

2022	**Leasehold land RM**	**Buildings on leasehold land RM**	**Machinery and equipment RM**	**Furniture, fittings and office equipment RM**	**Computers RM**	**Electrical installation RM**	**Motor vehicles RM**	**Capital expenditure in progress RM**	**Total RM**
At cost									
Balance at beginning	36,984,753	90,737,636	20,760,707	1,642,968	7,257,765	2,783,536	3,883,558	17,123,568	181,174,491
Additions	-	183,868	27,504,013	265,939	1,465,226	-	178,997	11,010,656	40,608,699
Disposals	-	-	-	-	-	-	(173,884)	-	(173,884)
Written off	-	-	-	-	(140,193)	-	-	-	(140,193)
Reclassification	-	617,681	15,924,003	375,882	-	-	-	(16,917,566)	-
Adjustment	-	(259,809)	-	-	-	(31,931)	-	-	(291,740)
Foreign currency translation	-	-	-	(20,986)	(1,358)	-	-	-	(22,344)
Balance at end	36,984,753	91,279,376	64,188,723	2,263,803	8,581,440	2,751,605	3,888,671	11,216,658	221,155,029
Accumulated depreciation									
Balance at beginning	1,519,596	15,332,685	16,166,396	1,034,233	5,876,034	2,342,176	3,671,644	-	45,942,764
Current charge	145,091	1,557,518	2,256,057	317,328	1,090,431	35,827	115,561	-	5,517,813
Disposals	-	-	-	-	-	-	(173,879)	-	(173,879)
Written off	-	-	-	-	(140,155)	-	-	-	(140,155)
Foreign currency translation	-	-	-	(3)	(236)	-	-	-	(239)
Balance at end	1,664,687	16,890,203	18,422,453	1,351,558	6,826,074	2,378,003	3,613,326	-	51,146,304
Carrying amount	35,320,066	74,389,173	45,766,270	912,245	1,755,366	373,602	275,345	11,216,658	170,008,725

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

GROUP

2021	Leasehold land RM	Buildings on leasehold land RM	Machinery and equipment RM	Furniture, fittings and office equipment RM	Computers RM	Electrical installation RM	Motor vehicles RM	Capital expenditure in progress RM	Total RM
At cost									
Balance at beginning	8,705,449	85,963,549	19,906,553	1,558,754	6,508,499	2,449,391	3,794,747	35,400,606	164,287,548
Additions	28,279,304	406,358	3,581,472	33,889	857,121	-	88,811	4,340,983	37,587,938
Disposals	-	-	(20,587,790)	-	-	-	-	-	(20,587,790)
Written off	-	-	-	(5,350)	(107,855)	-	-	-	(113,205)
Reclassification	-	4,367,729	17,860,472	55,675	-	334,145	-	(22,618,021)	-
Balance at end	36,984,753	90,737,636	20,760,707	1,642,968	7,257,765	2,783,536	3,883,558	17,123,568	181,174,491
Accumulated depreciation									
Balance at beginning	1,374,505	13,824,886	15,792,400	788,154	4,855,237	2,323,233	3,547,469	-	42,505,884
Current charge	145,091	1,507,799	823,591	250,657	1,128,629	18,943	124,175	-	3,998,885
Disposals	-	-	(449,595)	-	-	-	-	-	(449,595)
Written off	-	-	-	(4,578)	(107,832)	-	-	-	(112,410)
Balance at end	1,519,596	15,332,685	16,166,396	1,034,233	5,876,034	2,342,176	3,671,644	-	45,942,764
Carrying amount	35,465,157	75,404,951	4,594,311	608,735	1,381,731	441,360	211,914	17,123,568	135,231,727

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

COMPANY

	Computers	
	2022	2021
	RM	RM
At cost		
Balance at beginning	**3,150**	3,150
Written off	**(3,150)**	-
Balance at end	**-**	3,150
Accumulated depreciation		
Balance at beginning	**3,149**	3,149
Written off	**(3,149)**	-
Balance at end	**-**	3,149
Carrying amount	**-**	1

Included in property, plant and equipment is the following:

(i) The carrying amount of leasehold land amounting to **RM4,660,226** (2021: RM4,743,818) is charged to a licensed bank as security for banking facility granted to a subsidiary.

(ii) The Group's leasehold land meets the definition of right-of-use assets. However, the Group elected not to disclose the right-of-use assets separately. Instead, they continue to be recognised under property, plant and equipment as though these assets are owned.

5. **INVESTMENT PROPERTIES**

	Leasehold commercial units	
	2022	2021
	RM	RM
At cost		
Balance at beginning	**19,871,000**	19,871,000
Additions	**3,582,500**	-
Balance at end	**23,453,500**	19,871,000
Accumulated depreciation		
Balance at beginning	**404,216**	203,030
Current charge	**244,515**	201,186
Balance at end	**648,731**	404,216
Carrying amount	**22,804,769**	19,466,784

5. **INVESTMENT PROPERTIES** (CONT'D)

(i) The investment properties are held to earn rental and for capital appreciation.

(ii) On initial recognition, the investment properties are measured at their initial purchase price net of directly attributable expenditure.

(iii) The fair value of investment properties for disclosure purpose is as follows:

	2022	2021
	RM	RM
Fair value	**23,603,000**	19,879,000

The fair value of the investment properties is measured by reference to the valuation by independent professional qualified valuers or the open market value of properties in the vicinity under level 2 of the fair value hierachy. The key input under this approach is the price per square foot from sale of comparable properties. The higher/(lower) the price per square foot, the higher/(lower) the fair value of the investment properties.

(iv) The following amounts are recognised in profit or loss in respect of the investment properties:

	2022	2021
	RM	RM
Rental income from rental generating properties	**280,096**	269,816
Direct operating expenses arising from:		
- Rental generating properties	**(99,386)**	(100,294)
- Non-rental generating properties	**(294,955)**	(246,762)

6. **GOODWILL**

The carrying amount of goodwill, net of any impairment loss, is allocated to the CGU of factory automation solutions - medical devices. No impairment loss was required for the goodwill as its recoverable amount is in excess of its carrying amount.

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

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

	2022	2021
Average growth rates	**8%**	8%
Discount rates	**18%**	17%

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

7. INTANGIBLE ASSETS

	GROUP	
	2022	2021
	RM	RM
Property management right (Note 7.1)	**-**	-
Development expenditure (Note 7.2)	**24,197,019**	22,661,602
Computer software acquired (Note 7.3)	**810,389**	898,914
Technical know-how (Note 7.4)	**15,675,100**	17,914,400
	40,682,508	41,474,916

7.1 Project management right

	GROUP	
	2022	2021
	RM	RM
At cost	**9,000,000**	9,000,000
Accumulated amortisation	**9,000,000**	9,000,000
Carrying amount	**-**	-

7.2 Development expenditure

	GROUP	
	2022	2021
	RM	RM
At cost		
Balance at beginning	**44,502,826**	39,083,278
Additions	**3,611,357**	5,419,548
Balance at end	**48,114,183**	44,502,826
Accumulated amortisation		
Balance at beginning	**18,251,224**	16,175,284
Current charge	**2,075,940**	2,075,940
Balance at end	**20,327,164**	18,251,224
Impairment loss	**3,590,000**	3,590,000
Carrying amount	**24,197,019**	22,661,602

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

7. INTANGIBLE ASSETS (CONT'D)

7.3 Computer software acquired

	GROUP	
	2022	2021
	RM	RM
At cost		
Balance at beginning	**3,990,774**	3,551,582
Additions	**515,540**	439,192
Balance at end	**4,506,314**	3,990,774
Accumulated amortisation		
Balance at beginning	**3,091,860**	2,311,908
Current charge	**604,065**	779,952
Balance at end	**3,695,925**	3,091,860
Carrying amount	**810,389**	898,914

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

7.4 Technical know-how

	GROUP	
	2022	2021
	RM	RM
At cost		
Balance at beginning/at end	**22,393,000**	22,393,000
Accumulated amortisation		
Balance at beginning	**4,478,600**	2,239,300
Current charge	**2,239,300**	2,239,300
Balance at end	**6,717,900**	4,478,600
Carrying amount	**15,675,100**	17,914,400

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

The technical know-how was measured at their fair values using the income approach (excess earnings method) at the date of acquisition, i.e., 27 September 2019 and the valuation of the technical know-how was performed by an independent professional valuer. The expected useful lives of technical know-how is 10 years.

8. **INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2022	2021
	RM	RM
Unquoted shares, at cost		
Balance at beginning	**6,280,002**	6,280,000
Addition	**4,999,998**	-
Incorporation of a subsidiary	**-**	2
	11,280,000	6,280,002
Less: accumulated impairment loss	**(4,848,024)**	(4,848,024)
Balance at end	**6,431,976**	1,431,978
Quoted shares, at cost		
Balance at beginning	**107,748,079**	95,932,399
Addition	**-**	11,815,680
Balance at end	**107,748,079**	107,748,079
	114,180,055	109,180,057

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

	Name of Company	Effective Equity Interest 2022	Effective Equity Interest 2021	Principal Activities
	Direct			
#	Pentamaster International Limited ("PIL") (Incorporated in Cayman Islands)	**63.9%**	63.9%	Investment holding.
	Pentamaster Smart Solution Sdn. Bhd. ("PSS")	**100%**	100%	Designing and manufacturing of smart control solution systems.
	Origo Ventures (M) Sdn. Bhd. ("OV")	**100%**	100%	Property project management activities.
	Pentamaster Innoteq Sdn. Bhd. ("PB")	**100%**	100%	Investment holding and provision of testing solution services.

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

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

Name of Company	Effective Equity Interest 2022	2021	Principal Activities
Indirect - held through PIL			
Pentamaster Technology (M) Sdn. Bhd. ("PT")	**100%**	100%	Design, manufacturing and installation of computerised automation systems and equipment. PT's branch office in Singapore is principally involved in the manufacture and repair of semiconductor assembly and testing equipment (including computer burn-in-system).
Pentamaster Equipment Manufacturing Sdn. Bhd. ("PQ")	**100%**	100%	Equipment design and manufacturing services and manufacturing of high precision machine parts.
Pentamaster Instrumentation Sdn. Bhd. ("PU")	**100%**	100%	Designing and manufacturing of automated testing equipment and test and measurement system.
Pentamaster MediQ Sdn. Bhd. ("PD")	**100%**	100%	Designing and manufacturing of single-use medical devices, medical equipment and related instruments.
Indirect - held through PT			
* Pentamaster Technology (Jiangsu) Limited ("PTJS") (Incorporated and principal place of business is in The People's Republic of China)	**100%**	100%	Research and development, manufacturing and sales of automated testing equipment and automation solutions as well as providing technical services, development, consulting and other businesses.
* Pentamaster Automation (Japan) Co., Ltd ("PAJ") (Incorporated and principal place of business is in Japan)	**100%**	100%	Design and development, production and sales of automated test equipment, factory automation system and other handling solutions as well as providing technical consulting services and other related support services.
Indirect - held through PQ			
TP Concept Sdn. Bhd. ("TP")	**100%**	100%	Manufacturing and assembling of medical machines and manufacturing of die casting parts.
* Pentamaster Equipment Manufacturing, Inc. ("PEMI") (Incorporated and principal place of business is in California, the United States of America)	**100%**	100%	Provision of sales and support services.

\# *Listed on the Main Board of The Stock Exchange of Hong Kong Limited. Audited by a member firm of Grant Thornton International Limited.*
* *Not audited by Grant Thornton Malaysia PLT.*

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

(ii) **Controlled structured entity**

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

Name of structured entity	Effective Equity Interest 2022	Effective Equity Interest 2021	Principal activities
Indirect - held through PIL			
PIL - Pekerja SS Limited ("PILPSS") (Incorporated in the British Virgin Islands)	**100%**	100%	Purchases, administers and holds the shares of PIL for the employee share scheme.

PILPSS was incorporated on 31 December 2020 for the purpose of purchasing, administering and holding the ordinary shares of PIL for the employee share scheme implemented by PIL. The Group has the power to direct the relevant activities of PILPSS and it has the ability to use its power over PILPSS to affect its exposure to returns. Therefore, the assets and liabilities of PILPSS are included in the Group's statements of financial position and PIL's ordinary shares that the Group holds are presented as a deduction in equity as shares held for employee share scheme.

(iii) **Additional investments**

2022

On 18 February 2022, the Company subscribed an additional 4,999,998 new ordinary shares at an issue price of RM1 per share in PB for a consideration of RM4,999,998.

2021

In 2021, the Company had acquired 19,246,000 ordinary shares of HKD0.01 each in PIL for a consideration of RM11,815,680. The Company's equity interest in PIL had increased to 63.9%.

(iv) **Incorporation of PTJS**

On 25 April 2021, the Company through its subsidiary, PT had incorporated a wholly foreign-owned subsidiary, PTJS in the People's Republic of China for a total investment cost of USD450,000. The registered capital of PTJS is USD3,000,000 and PT shall satisfy the balance capital contribution of USD2,550,000 within 50 years after the date of issuance of PTJS's business license on 25 April 2021.

(v) **Incorporation of PAJ**

On 24 August 2021, the Company through its subsidiary, PT had incorporated a wholly foreign-owned subsidiary, PAJ in Japan with an issued and paid-up share capital of JPY3,000,000.

(vi) **Incorporation of PB**

On 22 September 2021, the Company had incorporated a wholly-owned subsidiary, PB in Malaysia with an issued and paid-up share capital of RM2 comprising of 2 ordinary shares.

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

(vii) **Non-controlling interests in a subsidiary**

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

	PIL and its subsidiaries	
	2022	2021
	RM	RM
NCI percentage of ownership interest and voting interest	**36.1%**	36.1%
Carrying amount of NCI	**265,953,680**	229,864,463
Profit allocated to NCI	**48,121,671**	42,726,054
Summarised consolidated financial information before intra-group elimination		
As at 31 December		
Non-current assets	**230,184,246**	224,487,192
Current assets	**771,477,656**	600,593,776
Non-current liabilities	**(3,762,024)**	(4,299,456)
Current liabilities	**(261,186,082)**	(184,037,835)
Net assets	**736,713,796**	636,743,677
Financial year ended 31 December		
Revenue	**600,586,987**	508,085,998
Profit after tax	**133,301,028**	116,744,616
Total comprehensive income for the financial year	**133,165,194**	116,801,221
Summary of consolidated cash flows for the financial year ended 31 December		
Net cash from operating activities	**59,947,443**	121,592,496
Net cash used in investing activities	**(39,239,223)**	(53,461,625)
Net cash used in financing activities	**(43,320,471)**	(19,631,371)
Net cash (outflow)/inflow for the financial year	**(22,612,251)**	48,499,500

9. **INVESTMENT IN ASSOCIATES**

	GROUP	
	2022	2021
	RM	RM
Unquoted shares, at cost	**6,590,640**	6,590,640
Share of post-acquisition reserves	**(4,519,446)**	(2,884,264)
	2,071,194	3,706,376
Investment in redeemable convertible preference shares ("RCPS")	**18,000,000**	18,000,000
	20,071,194	21,706,376

9. **INVESTMENT IN ASSOCIATES** (CONT'D)

(i) Details of the associates which are as follows:

	Name of Company	Place of incorporation/ business	Effective Equity Interest		Principal activities
			2022	2021	
#	Penang Automation Cluster Sdn. Bhd. ("PAC")	Malaysia	**35.64%**	35.64%	Providing value added engineering development and technical training to automation cluster companies specialised in the area of design, development and manufacture of high precision metal fabrication components, modules and systems for semiconductor, electronics, automotive, aerospace and other high growth industries in the region.
#	Run Gao Da Technology (Xiangyang) Co., Ltd. ("RGA")	The People's Republic of China	**6.67%**	6.67%	Provision of investment management and consultation service

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(ii) **Investment in PAC**

In the prior financial year, PT, an indirect wholly-owned subsidiary had decreased its investment in PAC by 4.36% through the disposal of 66,240 ordinary shares to an existing shareholder of PAC for a cash consideration of RM66,240. PT also invested a total of RM15,000,000 for the subscription of 15,000,000 RCPS at an issue price of RM1 per RCPS.

(iii) **Investment in RGA**

In the prior financial year, PTJS had invested in a newly incorporated Company in People's Republic of China, RGA for a cash consideration of RM32,880 (equivalent to RMB50,000), representing 6.67% equity interest in RGA. Although the Group holds only 6.67% equity interest of RGA, it has determined to have significant influence as they have one third representation on the Board of RGA.

9. **INVESTMENT IN ASSOCIATES** (CONT'D)

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

		2022 RM	2021 RM
	Summarised financial information **As at 31 December**		
	Non-current assets	**64,887,829**	64,815,075
	Current assets	**10,203,402**	7,464,862
	Non-current liabilities	**(2,653,820)**	(3,066,331)
	Current liabilities	**(25,320,072)**	(23,001,506)
	Non-controlling interests	**(399,636)**	(406,345)
	Net assets attributable to owners	**46,717,703**	45,805,755
	Year ended 31 December		
	Revenue	**15,791,052**	13,430,598
	Net loss, representing total comprehensive loss attributable to owners	**(4,588,052)**	(4,151,341)
	Reconciliation of net assets to carrying amount as at 31 December		
	Net assets of PAC	**46,717,703**	45,805,755
	Proportion of ownership interest held by the Group	**35.64%**	35.64%
		16,650,189	16,325,171
*	Adjustment	**(14,790,600)**	(12,830,400)
	Goodwill	**178,725**	178,725
	Carrying amount in the statements of financial position	**2,038,314**	3,673,496

* Adjustment represented the Group's investment on PAC's preference shares which is not proportion to equity interest shared by the Group.

	2022 RM	2021 RM
Group's share of results for the financial year ended 31 December		
Group's share of loss	**(1,635,182)**	(1,484,666)
Contractual commitments		
Purchase of property, plant and equipment	**-**	1,062,000

9. **INVESTMENT IN ASSOCIATES** (CONT'D)

(v) **Salient features of PAC's RCPS**

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

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

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

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

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

PAC is a strategic partner to build and manage the local supply chain ecosystem in the country that supports the Group's long-term strategy to grow its business in providing a wider range of high-end automated test equipment supporting various industries globally.

10. **OTHER INVESTMENTS**

	GROUP	
	2022	2021
	RM	RM
Non-current asset		
Fair value through other comprehensive income		
Unquoted shares in Malaysia	**5,000,000**	-
Unquoted shares outside Malaysia	**1,116,721**	-
	6,116,721	-
Current asset		
Fair value through profit or loss		
Quoted shares outside Malaysia	**218,310**	373,806
Unquoted bonds in Malaysia *	**-**	-

Equity instruments designated at fair value through OCI are investment in equity shares of unquoted companies/funds. The Group holds non-controlling interests of 3.1% to 6.8% in these investments. These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

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

* The unquoted bonds comprise subordinated bonds with variable coupon rates. These bonds had an original tenure of five years, which expired on 10 October 2011. The fair value of the unquoted bonds in Malaysia was approximately RM Nil as at 31 December 2021. The tenure of the bonds has been extended for a 12 months period and had expired on 10 October 2022.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Non-current asset				
Refundable deposits [(i)]	**-**	28,224,876	**-**	-
Current assets				
Other receivables [(ii)]	**1,161,751**	3,357,271	**336,279**	319,654
Refundable deposits [(i)]	**30,854,058**	2,254,537	**1,000**	1,000
Non-refundable deposits [(iii)]	**27,679,493**	9,527,566	**-**	-
Prepayments	**616,670**	496,434	**6,271**	6,535
VAT claimable	**95,209**	428,936	**-**	-
	60,407,181	16,064,744	**343,550**	327,189
Total	**60,407,181**	44,289,620	**343,550**	327,189

GROUP

(i) Non-current refundable deposits in the previous financial year represent partial payment for a potential investment in a foreign company involving in manufacturing of electronic components. This amount has been reclassified to current refundable deposit and recorded at RM28,794,253 during the financial year. However, PB is still pending on the necessary approval from the respective competent authority for the subscription of shares as at year end. Subsequent to the year end, PB has decided to withdraw from the investment as disclosed in Note 38(ii).

(ii) Included in other receivables is an amount of **RM562,915** (2021: RM3,037,617) due from a related party, Maarij Development Sdn. Bhd. ("MDSB") for project financing expenses paid on behalf of MDSB for the property development project in which the Group is managing (Refer to Note 7.1 to the financial statements) and rental income charged.

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

12. **DEFERRED TAX ASSETS/(LIABILITIES)**

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

	Fair value adjustment on business combination RM	Property, plant and equipment RM	Unabsorbed tax losses RM	Unabsorbed capital allowance RM	Total RM
GROUP					
2022					
Balance at beginning	**(4,299,456)**	**(2,985,000)**	**3,170,139**	**36,000**	**(4,078,317)**
Recognised in profit or loss	**537,432**	**(1,680,000)**	**1,444,861**	**14,000**	**316,293**
Balance at end	**(3,762,024)**	**(4,665,000)**	**4,615,000**	**50,000**	**(3,762,024)**
2021					
Balance at beginning	(4,836,888)	(4,674,000)	4,647,000	27,000	(4,836,888)
Recognised in profit or loss	537,432	1,689,000	(1,476,861)	9,000	758,571
Balance at end	(4,299,456)	(2,985,000)	3,170,139	36,000	(4,078,317)

	GROUP	
	2022 RM	2021 RM
Represented by:		
Deferred tax assets	**-**	221,139
Deferred tax liabilities	**(3,762,024)**	(4,299,456)
	(3,762,024)	(4,078,317)

13. **AMOUNT DUE FROM/TO SUBSIDIARIES**

The amount due from subsidiaries is non-trade related, unsecured, non-interest bearing and classified based on the expected timing of realisation.

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

14. INVENTORIES

	GROUP	
	2022	2021
	RM	RM
Raw materials	**19,147,559**	6,457,976
Work-in-progress	**147,492,734**	63,039,587
Finished goods	**4,293,958**	2,508,142
	170,934,251	72,005,705
Recognised in profit or loss:		
Inventories recognised as cost of sales	**417,225,382**	355,767,009
Write-down to net realisable value		
- Addition	**244,748**	362,120
- Reversal	**(102,269)**	(344,435)

The reversal of inventories written down was made during the financial year when the related inventories were consumed in the production.

15. TRADE RECEIVABLES

	GROUP	
	2022	2021
	RM	RM
Trade receivables	**241,222,183**	173,406,996
Less: Allowance for expected credit losses		
Balance at beginning	**(8,094,945)**	(10,611,457)
Current year	**(1,909,982)**	(2,024,751)
Reversal	**6,708,306**	3,226,263
Written off	**-**	1,315,000
Balance at end	**(3,296,621)**	(8,094,945)
	237,925,562	165,312,051

(i) The normal credit terms granted to trade receivables range from **30 to 120 days** (2021: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(ii) Included in trade receivables is an amount of **RM Nil** (2021: RM1,250,000) due from a related party, MDSB.

15. **TRADE RECEIVABLES** (CONT'D)

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

	GROUP	
	2022	2021
	RM	RM
US Dollar	**154,423,273**	123,627,876
Ringgit Malaysia	**48,779,954**	30,250,954
Chinese Renminbi	**34,218,115**	11,099,571
Singapore Dollar	**212,206**	333,650
Japanese Yen	**280,590**	-
Euro	**11,424**	-
	237,925,562	165,312,051

16. **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 USD. 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.

During the financial year, the group recognised a loss of **RM7,604,095** (2021: RM2,089,220) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 36 to the financial statements.

Notional amount	**Derivative asset/(liability) amount RM**	**Settlement date**	**Terms**	**Forward rates**
2022				
RM42,167,700 (equivalent to USD9,500,000)	**489,010**	**12.1.2023 to 23.5.2023**	**107 to 249 days**	**RM4.40 to RM4.64/USD**
RM184,085,350 (equivalent to USD43,500,000)	**(6,846,688)**	**13.1.2023 to 12.4.2023**	**81 to 366 days**	**RM4.21 to RM4.25/USD**
2021				
RM145,455,950 (equivalent to USD34,350,000)	1,246,417	31.1.2022 to 7.12.2022	224 to 370 days	RM4.17 to RM4.29/ USD

17. **CASH AND CASH EQUIVALENTS**

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Cash and bank balances	**121,225,271**	92,818,773	**551,025**	753,629
Short-term investments	**299,999,891**	385,422,500	**89,359,058**	124,510,277
	421,225,162	478,241,273	**89,910,083**	125,263,906

(i) The effective interest rate for the short-term investments is **1.80% to 3.10%** (2021: 1.27% to 2.41%) per annum and can be redeemed at any time upon notice given to the financial institution. The short-term investment represents investment in short-term funds. The short-term funds invest in a mixture of money market instruments with different maturity periods.

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Ringgit Malaysia	**352,097,734**	426,257,079	**89,909,053**	125,262,889
US Dollar	**26,353,483**	24,099,389	**-**	-
Chinese Renminbi	**23,837,787**	12,491,253	**-**	-
Euro	**17,801,062**	12,919,916	**-**	-
Hong Kong Dollar	**534,826**	1,809,528	**1,030**	1,017
Singapore Dollar	**385,994**	512,725	**-**	-
Others	**214,276**	151,383	**-**	-
	421,225,162	478,241,273	**89,910,083**	125,263,906

18. **SHARE CAPITAL**

	Number of ordinary shares		Amount	
	2022	2021	**2022**	2021
			RM	RM
Issued and fully paid with no par value	**712,317,121**	712,317,121	**79,303,370**	79,303,370

19. **TREASURY SHARES**

The Company's mandate relating to the share buyback of up to 10% of the existing total paid-up share capital, was approved by the shareholders of the Company at the annual general meeting held on 31 May 2022.

During the financial year, the Company repurchased a total of 1,000,000 of its ordinary shares from the open market for a total consideration of RM3,052,249. The average price paid for the shares repurchased was approximately RM3.0522 per share and was financed by internally generated funds. The shares repurchased are held as treasury shares and treated in accordance with the requirements of Section 127(6) of the Companies Act 2016.

19. **TREASURY SHARES** (CONT'D)

Out of the total **712,317,121** (2021: 712,317,121) issued and paid-up ordinary shares as at 31 December 2022, **1,000,000** (2021: Nil) ordinary shares are held as treasury shares by the Company. The number of outstanding ordinary shares in issue is therefore **711,317,121** (2021: 712,317,121) ordinary shares.

Treasury shares have no rights to vote, dividends and participation in other distribution.

20. **SHARES HELD FOR EMPLOYEE SHARE SCHEME ("ESS")**

The Shares held for ESS were purchased by a trust which administers the ESS of a foreign listed subsidiary of the Company. Details of the ESS are disclosed in Note 21 to the financial statements.

The movement of the share held for ESS is as follows:

	Number of PIL ordinary shares of HKD0.01		**Amount**	
	2022	2021	**2022 RM**	2021 RM
Balance at beginning	**6,877,349**	5,880,000	**4,270,104**	5,849,424
Additions	**24,618,000**	3,110,000	**13,865,399**	2,201,518
Bonus issue	**-**	1,649,699	**-**	-
Forfeited	**235,097**	38,252	**-**	-
Vested	**(11,441,153)**	(3,800,602)	**(6,657,692)**	(3,780,838)
Balance at end	**20,289,293**	6,877,349	**11,477,811**	4,270,104

21. **EMPLOYEE SHARE SCHEME RESERVE ("ESS RESERVE")**

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

The ESS is administered by the Board of PIL and the trustee as disclosed in Note 8 (ii) to the financial statements in accordance with the ESS rules and the trust deed of the ESS. Subject to any early termination as may be determined by the Board of PIL, the ESS shall be valid and effective for a term of 10 years commencing on its adoption date (i.e., 1 April 2020).

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

The ESS reserve represents the fair value of the shares granted which was calculated based on the closing market price of the shares on the day of grant.

21. **EMPLOYEE SHARE SCHEME RESERVE ("ESS RESERVE")** (CONT'D)

The number of shares granted and vested under the ESS of the Group during the financial year ended 31 December 2022 are as follows:

		I------------------ Number of shares granted under ESS -------------------I				
Date of grant	**Exercise periods (both dates inclusive)**	**Balance at beginning**	**Granted**	**Vested**	**Lapsed**	**Balance at end**
4.1.2021	4.1.2021 to 3.1.2023	10,882,611	-	(5,441,153)	(705,764)	4,735,694
1.7.2022	1.7.2022 to 1.7.2024	-	18,000,000	(6,000,000)	(834,012)	11,165,988

The Board has full discretion to determine the amount of the share award to be vested to selected employees at the end of a performance period in accordance with the performance criteria approved by the Board. These performance criteria include at least one service year and key performance index.

The Company granted **18,000,000** (2021: 11,402,000) shares to selected employees on **1 July 2022** (2021: 4 January 2021), which will be vested in tranches of one-third each on every anniversary date of the grant date starting from the 1st anniversary date until the 3rd anniversary date. The fair value of the granted shares is calculated based on the closing market price of the shares of **RM0.5173** (2021: RM0.8763) on the day of the grant and amounted to **RM9,311,400** (2021: RM9,991,573) in total. Together with the granted shares in 2021, the Group recognised a Share Award Scheme expense of **RM7,574,332** (2021: RM5,596,959) during the year ended 31 December 2022.

During the year ended 31 December 2022, a total of **11,441,153** (2021: 3,800,602) awarded shares were vested. The cost and the fair value of the related vested shares were **RM6,657,692** (2021: RM3,780,838) and **RM6,134,872** (2021: RM3,330,529) respectively. The difference of **RM522,820** (2021: RM450,309) was charged to retained profits. As at 31 December 2022, the carrying amount of Shares held for Share Award Scheme was **RM11,477,811** (2021: RM4,270,104).

The movement of ESS reserve is as follows:

	GROUP	
	2022 **RM**	2021 RM
Balance at beginning	**2,266,430**	-
Addition	**7,574,332**	5,596,959
Vested	**(6,134,872)**	(3,330,529)
Balance at end	**3,705,890**	2,266,430

22. **FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve is in respect of foreign exchange differences on translation of the financial statements of the Group's foreign subsidiaries.

23. **RETAINED PROFITS**

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

24. BORROWINGS

	GROUP 2022 RM	GROUP 2021 RM
Secured		
Non-current liabilities		
Term loan		
Total amount repayable	-	2,564,887
Amount due within one year included under current liabilities	-	(425,029)
	-	2,139,858
Current liabilities		
Term loan	-	425,029
Total borrowings	-	2,564,887

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

	Effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
2021						
Term loan	3.30	2,564,887	425,029	439,269	1,408,099	292,490

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

25. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP 2022 RM	GROUP 2021 RM
Ringgit Malaysia	**77,098,635**	63,472,958
Euro	**17,100,452**	492,492
US Dollar	**17,042,604**	12,948,590
Chinese Renminbi	**9,771,111**	136,687
Japanese Yen	**302,742**	159,918
Singapore Dollar	**145,051**	345,712
Others	**67,023**	3,555
	121,527,618	77,559,912

The normal credit terms granted by trade payables range from **30 to 180 days** (2021: 14 to 150 days).

Included in trade payables is an amount of **RM371,056** (2021: RM161,962) due to the Group's associate.

26. OTHER PAYABLES, ACCRUALS AND PROVISION

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Other payables	**5,974,393**	3,160,821	**31,330**	21,712
Amount due to former shareholders of a subsidiary [i]	**-**	4,780,000	**-**	-
Deferred cash consideration [ii]	**2,123,232**	11,393,240	**-**	-
Accruals	**22,169,251**	18,782,398	**367,913**	396,013
SST payable	**16,809**	2,529	**-**	-
Provision for warranty	**1,515,000**	1,256,000	**-**	-
	31,798,685	39,374,988	**399,243**	417,725

(i) As at 31 December 2021, the amounts due to former shareholders of a subsidiary, TP, were unsecured, interest free and repayable on demand. During the financial year ended 31 December 2022, the Company reached an agreement with the former shareholders to waive the liabilities and recognised the amount as waiver of debts in the profit or loss during the financial year.

(ii) The consideration payable referred to the balance amount of the consideration payable to the former shareholders of a subsidiary, TP, acquired in 2019. The consideration payable is subject to TP achieving certain performance milestones. During the financial year ended 31 December 2022, the performance milestones were achieved and the Group was liable to release the deferred consideration to the former shareholders. An amount of RM9,000,000 was paid to the former shareholders and the remaining balances were paid subsequent to the financial year end.

27. CONTRACT LIABILITIES

	GROUP	
	2022	2021
	RM	RM
Balance at beginning	**64,152,383**	15,470,869
Decrease on recognition of revenue	**(61,788,788)**	(15,470,869)
Increase on receiving deposits for sales orders	**98,217,562**	64,152,383
Balance at end	**100,581,157**	64,152,383

Contract liabilities comprised of deposits received from customers for manufacturing orders.

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

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

28. REVENUE

28.1 Disaggregation of revenue from contracts with customer

	GROUP		COMPANY	
	2022 RM	2021 RM	**2022 RM**	2021 RM
Types of goods or services				
Sale of equipment				
- Automated test equipment	**420,715,714**	356,327,053	**-**	-
- Factory automation solutions	**179,871,273**	151,758,945	**-**	-
- Smart control solution system	**-**	303,019	**-**	-
Dividend income received from a subsidiary	**-**	-	**17,191,095**	10,725,310
Management fee	**-**	-	**-**	100,000
Total revenue from contracts with customer	**600,586,987**	508,389,017	**17,191,095**	10,825,310

Geographical segment

	COMPANY	
	2022 RM	2021 RM
Geographical markets		
People's Republic of China ("PRC") (including Hong Kong)	**17,191,095**	10,725,310
Malaysia	**-**	100,000
Total revenue from contracts with customer	**17,191,095**	10,825,310

The geographical markets of the Group's revenue are disclosed in Note 35 to the financial statements.

	GROUP		COMPANY	
	2022 RM	2021 RM	**2022 RM**	2021 RM
Timing of revenue recognition				
At a point in time	**600,586,987**	508,389,017	**17,191,095**	10,725,310
Over time	**-**	-	**-**	100,000
Total revenue from contracts with customer	**600,586,987**	508,389,017	**17,191,095**	10,825,310

28.2 Performance obligations

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

29. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
After charging:				
Amortisation of intangible assets:				
- computer software	**604,065**	779,952	**-**	-
- development expenditure	**2,075,940**	2,075,940	**-**	-
- technical know-how	**2,239,300**	2,239,300	**-**	-
Bad debts written off	**-**	382,568	**-**	-
Depreciation:				
- property, plant and equipment	**5,517,813**	3,998,885	**-**	-
- investment properties	**244,515**	201,186	**-**	-
Directors' fees				
- Directors of the Company				
- executive directors	**156,346**	68,627	**58,080**	26,400
- non-executive directors	**305,262**	339,634	**174,240**	184,800
Director of a subsidiary				
- non-executive directors	**270,231**	232,251	**-**	-
Fees for statutory audit:				
- Grant Thornton Malaysia PLT	**405,000**	321,658	**70,000**	60,000
- Member firms of Grant Thornton International Limited	**436,921**	258,032	**-**	-
- Other auditor				
- current year	**15,695**	-	**-**	-
- under provision in prior year	**8,739**	-	**-**	-
Fees for assurance related and non-audit services:				
- Grant Thornton Malaysia PLT	**24,500**	43,500	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	4,848,024
Inventories written down to net realisable value				
- addition	**244,748**	362,120	**-**	-
- reversal	**(102,269)**	(344,435)	**-**	-
Loss on changes in fair value of foreign currency forward contracts	**7,604,095**	2,089,220	**-**	-
Loss on changes in fair value of other investments	**15,775**	-	**-**	-
Loss on disposal of property, plant and equipment	**-**	1,666,723	**-**	-
Loss on foreign exchange				
- unrealised	**885,408**	-	**75,522**	-

29. **PROFIT BEFORE TAX** (CONT'D)

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Property, plant and equipment written off	**38**	795	**1**	-
Provision for warranty				
- current year	**1,515,000**	1,256,000	**-**	-
- reversal	**(1,256,000)**	(647,000)	**-**	-
Rental of hostel	**352,278**	761,678	**-**	-
Rental of office	**242,159**	133,274	**-**	-
Rental of plant and equipment	**34,900**	31,426	**-**	-
Rental of premises	**125,952**	100,972	**33,468**	33,468
* Staff costs	**87,244,433**	72,525,670	**379,795**	679,410
After crediting:				
Deferred income released	**-**	1,745,853	**-**	-
Gain on changes in fair value of other investments	**-**	22,381	**-**	-
Gain on disposal of other investments	**14,822**	100,680	**-**	-
Gain on disposal of interest in an associate	**-**	641,162	**-**	-
Gain on disposal of property, plant and equipment	**57,995**	-	**-**	-
Gain on foreign exchange				
- realised	**239,528**	3,281,768	**187,167**	191,283
- unrealised	**-**	4,350,613	**-**	38
Rental income	**316,096**	269,816	**-**	-
Waiver of debts	**4,780,000**	-	**-**	-

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
* **Staff costs**				
- Salaries, allowances, bonus, incentive and overtime	**70,679,225**	59,590,849	**314,218**	558,922
- EPF	**7,547,098**	6,389,619	**36,946**	66,958
- EIS	**62,070**	52,320	**144**	277
- SOCSO	**1,381,708**	895,923	**1,905**	3,010
- Equity-settled ESS expenses	**7,574,332**	5,596,959	**26,582**	50,243
	87,244,433	72,525,670	**379,795**	679,410

29. **PROFIT BEFORE TAX** (CONT'D)

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Directors of the Company:				
Executive:				
- Salaries, allowances and bonus	**3,066,908**	2,832,367	**-**	90,000
- EPF	**579,785**	528,294	**-**	10,800
- Equity-settled ESS expenses	**243,897**	118,741	**-**	-
	3,890,590	3,479,402	**-**	100,800
Non-executive:				
- Salaries, allowances and bonus	**22,099**	23,499	**16,500**	15,500
Total	**3,912,689**	3,502,901	**16,500**	116,300
Represented by:				
Present directors				
- Executive	**3,890,590**	3,378,602	**-**	-
- Non-executive	**22,099**	23,499	**16,500**	15,500
	3,912,689	3,402,101	**16,500**	15,500
Past director				
- Executive	**-**	100,800	**-**	100,800
	3,912,689	3,502,901	**16,500**	116,300
Directors of subsidiaries:				
Executive:				
- Salaries, allowances and bonus	**355,650**	340,715	**-**	-
- EPF	**42,681**	40,889	**-**	-
- Equity-settled ESS expenses	**29,391**	27,782	**-**	-
	427,722	409,386	**-**	-
Non-executive:				
- Allowances	**15,622**	16,535	**-**	-
	443,344	425,921	**-**	-

30. TAXATION

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Malaysia income tax:				
Based on results for the financial year				
- Current tax	**(4,490,762)**	(4,802,988)	-	-
- Deferred tax relating to the origination and reversal of temporary differences	**316,293**	758,571	-	-
	(4,174,469)	(4,044,417)	-	-
Over provision of current tax in prior year	**2,630,881**	214,775	-	-
	(1,543,588)	(3,829,642)	-	-

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Profit before tax	**132,083,930**	119,466,256	**15,222,354**	3,573,488
Share of loss of associates	**1,635,182**	1,484,666	-	-
	133,719,112	120,950,922	**15,222,354**	3,573,488
Income tax at Malaysian statutory tax rate of 24%	**(32,092,587)**	(29,028,221)	**(3,653,365)**	(857,637)
Income not subject to tax	**2,914,649**	2,125,937	**4,672,770**	3,135,696
Effect of difference tax rates in foreign jurisdiction (ii)	**(472,301)**	19,668	**-**	-
Exempt pioneer income(i)	**31,012,930**	24,607,236	**-**	-
Expenses not deductible for tax purposes	**(5,005,949)**	(3,015,469)	**(1,019,405)**	(2,116,059)
Deferred tax movement not recognised	**(3,070,000)**	-	**-**	(162,000)
Utilisation of deferred tax assets previously not recognised	**2,001,357**	709,000	**-**	-
Annual crystallisation of deferred tax on technical know-how	**537,432**	537,432	**-**	-
	(4,174,469)	(4,044,417)	**-**	-
Over provision of current tax in prior year	**2,630,881**	214,775	**-**	-
	(1,543,588)	(3,829,642)	**-**	-

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

(ii) Taxation for other jurisdiction is calculated at the rate prevailing in respective jurisdiction.

30. **TAXATION** (CONT'D)

(iii) As at the end of the reporting period, the Group's and the Company's deferred tax assets which have not been recognised are represented by the net temporary differences arising from:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Unabsorbed capital allowances	**-**	-	**(58,000)**	(58,000)
Unabsorbed tax losses	**(3,412,000)**	(9,887,000)	**(7,538,000)**	(7,538,000)
Others	**(34,453,000)**	(23,529,000)	**-**	-
	(37,865,000)	(33,416,000)	**(7,596,000)**	(7,596,000)

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Unabsorbed capital allowances	**208,000**	150,000	**58,000**	58,000
Unabsorbed tax losses	**22,642,000**	22,176,000	**7,538,000**	7,538,000
	22,850,000	22,326,000	**7,596,000**	7,596,000

In respect of Malaysia's subsidiaries and the Company, the unabsorbed tax losses of the Group and of the Company as of 31 December 2018 and thereafter will be available for carry forward for a period of ten (10) consecutive years of assessment and the unabsorbed capital allowances can be carried forward indefinitely.

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
YA 2028	**14,906,000**	17,293,000	**5,439,000**	5,439,000
YA 2029	**2,062,000**	2,062,000	**1,190,000**	1,190,000
YA 2030	**1,935,000**	1,935,000	**902,000**	902,000
YA 2031	**886,000**	886,000	**7,000**	7,000
YA 2032	**2,853,000**	-	**-**	-
	22,642,000	22,176,000	**7,538,000**	7,538,000

31. EARNINGS PER SHARE

GROUP

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2022	2021
Profit attributable to owners of the Company (RM)	**82,418,671**	72,910,560
Weighted average number of ordinary shares	**711,565,346**	712,317,121
Basic earnings per share (sen)	**11.58**	10.24

(b) Diluted

There is no dilutive potential ordinary shares outstanding during the current and previous financial year.

32. DIVIDEND

	COMPANY	
	2022 **RM**	2021 RM
In respect of financial year ended 31 December 2021:		
- A single tier dividend of 2.0 sen per ordinary share declared on 24 February 2022 and paid on 22 July 2022	**14,226,342**	-
In respect of financial year ended 31 December 2020:		
- A single tier dividend of 1.5 sen per ordinary share declared on 25 February 2021 and paid on 30 July 2021	**-**	10,684,757
	14,226,342	10,684,757

On 23 February 2023, the Directors recommended a final single tier dividend of 2.0 sen per ordinary share amounting to approximately RM14.2 million in respect of the financial year ended 31 December 2022 for shareholders' approval at the forthcoming Annual General Meeting. The current financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

33. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Company has related party relationship with its subsidiaries, associates, key management personnel, and the following party:

Related party	Relationship
Maarij Development Sdn. Bhd.	A company in which a director of a subsidiary has substantial financial interest.
Pingspace Sdn. Bhd. ("Pingspace")	A company in which a person connected to a director of the Company, Mr. Chuah Choon Bin, has substantial financial interest.

(ii) Related party transactions

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Purchases from associate	**(2,757,170)**	(1,870,976)	**-**	-
Transactions with related party:				
- Investment in unquoted shares (Note 38 (iv))	**(5,000,000)**	-	**-**	-
- Rental income	**36,000**	-	**-**	-
Transactions with subsidiaries:				
- Management fee income	**-**	-	**-**	100,000
- Dividend income	**-**	-	**17,191,095**	10,725,310
- Rental expenses	**-**	-	**(33,468)**	(33,468)
- Net payment/ Advances made on behalf/ (Repayment)	**-**	-	**13,586,686**	(10,584,830)

(iii) Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly. The remuneration of key management personnel during the financial year is as follows:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Employees' salaries, allowances and bonus	**10,308,366**	9,284,036	**16,500**	105,500
EPF	**1,416,707**	1,273,995	**-**	10,800
Benefits-in-kind	**28,000**	28,000	**-**	-
Directors' fee	**731,839**	640,512	**232,320**	211,200
Equity-settled ESS expenses	**1,501,293**	1,443,012	**-**	-
	13,986,205	12,669,555	**248,820**	327,500
Analysed as:				
- Directors	**5,115,872**	4,597,334	**248,820**	327,500
- Other key management personnel	**8,870,333**	8,072,221	**-**	-
	13,986,205	12,669,555	**248,820**	327,500

34. **CAPITAL COMMITMENT**

	GROUP	
	2022	2021
	RM	RM
Contracted but not provided for:		
- Construction of factory	**32,022,727**	-
- Purchase of machineries and equipment	**21,951,150**	7,993,042
	53,973,877	7,993,042

35. **SEGMENTAL INFORMATION**

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

(i) **Business segments**

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

- Automated Test Equipment
  - Designing, development and manufacturing of standard and non-standard automated equipment.

- Factory Automation Solutions
  - Designing, development and installation of integrated automated manufacturing solutions.

- Smart Control Solution System
  - Project management, smart building solutions and trading of materials.

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

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

The Board of Directors monitors the performance of the business segments through regular discussions held with the segment managers and reviews 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.

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

(i) **Business segments** (Cont'd)

	Automated Test Equipment RM	Factory Automation Solutions RM	Smart Control Solution System RM	Adjustment RM	Note	Total RM
2022						
Revenue						
External customers	420,715,714	179,871,273	-			600,586,987
Inter-segment revenue	83,470,966	5,068,065	449,750	(88,988,781)	A	-
Total revenue	504,186,680	184,939,338	449,750			600,586,987
Results						
Segment results	96,832,114	48,926,346	(3,177,354)	(16,298,368)		126,282,738
Finance costs	(87,181)	-	-	-		(87,181)
Finance income	4,787,499	415,540	13,159	2,307,357		7,523,555
Share of loss of associates	-	-	-	(1,635,182)		(1,635,182)
Profit before tax	101,532,432	49,341,886	(3,164,195)			132,083,930
Taxation	(1,893,798)	(99,790)	(84,835)	534,835		(1,543,588)
Profit for the financial year	99,638,634	49,242,096	(3,249,030)			130,540,342
Assets						
Segment assets	574,522,336	195,558,573	28,873,129	(88,416,063)		710,537,975
Investment in associates	-	-	-	20,071,194		20,071,194
Other investments	-	-	-	6,335,031		6,335,031
Cash and cash equivalents	266,907,803	58,389,278	2,641,748	93,286,333		421,225,162
Total assets	841,430,139	253,947,851	31,514,877			1,158,169,362
Liabilities						
Segment liabilities	226,264,537	129,539,937	36,314,802	(131,365,128)		260,754,148
Deferred tax liabilities	-	3,762,024	-	-		3,762,024
Tax payable	900,341	11,962	-	49		912,352
Total liabilities	227,164,878	133,313,923	36,314,802			265,428,524
Other information						
Addition to non-current assets	2,968,181	11,744,561	3,652,326	29,953,028	B	48,318,096
Depreciation and amortisation	3,726,955	3,216,281	2,108,001	1,630,396		10,681,633
Non-cash items other than depreciation and amortisation	7,193,457	(7,945,222)	-	9,216,933	C	8,465,168

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

(i) **Business segments** (Cont'd)

	Automated Test Equipment RM	Factory Automation Solutions RM	Smart Control Solution System RM	Adjustment RM	Note	Total RM
2021						
Revenue						
External customers	356,327,053	151,758,945	303,019			508,389,017
Inter-segment revenue	2,059,672	3,542,725	113,793	(5,716,190)	A	-
Total revenue	358,386,725	155,301,670	416,812			508,389,017
Results						
Segment results	95,458,757	25,826,261	(1,782,803)	(5,292,984)		114,209,231
Finance costs	(91,994)	-	-	-		(91,994)
Finance income	4,266,104	197,000	1,467	2,369,114		6,833,685
Share of loss of associates	-	-	-	(1,484,666)		(1,484,666)
Profit before tax	99,632,867	26,023,261	(1,781,336)			119,466,256
Taxation	(4,330,966)	(36,108)	-	537,432		(3,829,642)
Profit for the financial year	95,301,901	25,987,153	(1,781,336)			115,636,614
Assets						
Segment assets	334,372,795	135,799,803	30,878,380	(16,858,600)		484,192,378
Investment in an associates	-	-	-	21,706,376		21,706,376
Other investments	-	-	-	373,806		373,806
Cash and cash equivalents	323,941,448	23,252,643	3,018,520	128,028,662		478,241,273
Total assets	658,314,243	159,052,446	33,896,900			984,513,833
Liabilities						
Segment liabilities	144,730,148	83,898,588	35,447,795	(82,989,248)		181,087,283
Borrowings	2,564,887	-	-	-		2,564,887
Deferred tax liabilities	-	4,299,456	-	-		4,299,456
Tax payable	943,319	-	-	-		943,319
Total liabilities	148,238,354	88,198,044	35,447,795			188,894,945
Other information						
Addition to non-current assets	6,874,439	28,706,210	47,060	7,818,969	B	43,446,678
Depreciation and amortisation	3,658,767	3,372,759	2,070,098	193,639		9,295,263
Non-cash items other than depreciation and amortisation	(2,392,027)	1,224,241	(1,068,566)	6,021,767	C	3,785,415

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

(i) **Business segments** (Cont'd)

Notes to segment information:

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consist of property, plant and equipment, intangible assets, other investments, investment in associates and investment properties.

C Other non-cash items consist of the following:

	GROUP	
	2022	2021
	RM	RM
Bad debts written off	**-**	382,568
Changes in fair value of foreign currency forward contracts	**7,604,095**	2,089,220
Deferred income released	**-**	(1,745,853)
Expected credit loss on receivables - current year	**1,909,982**	2,024,751
- reversal	**(6,708,306)**	(3,226,263)
Equity-settled ESS expenses	**7,574,332**	5,596,959
Gain on disposal of interest in an associate	**-**	(641,162)
Gain on disposal of other investments	**(14,822)**	(100,680)
(Gain)/Loss on disposal of property, plant and equipment	**(57,995)**	1,666,723
Inventories written down - addition	**244,748**	362,120
- reversal	**(102,269)**	(344,435)
Loss/(Gain) on changes in fair value of other investments	**15,775**	(22,381)
Property, plant and equipment written off	**38**	795
Provision for warranty - addition	**1,515,000**	1,256,000
- reversal	**(1,256,000)**	(647,000)
Share of loss of associates	**1,635,182**	1,484,666
Unrealised loss/(gain) on foreign exchange	**885,408**	(4,350,613)
Waiver of debts	**(4,780,000)**	-
	8,465,168	3,785,415

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

(ii) **Geographical Information**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-Current Assets	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
PRC (including Hong Kong)	**202,487,580**	148,180,044	**517,084**	420,495
Malaysia	**139,990,347**	63,251,367	**263,567,011**	221,934,707
USA	**61,640,579**	45,609,764	**8,757**	19,969
Vietnam	**40,281,879**	8,374,589	**-**	-
Singapore	**34,955,054**	36,962,506	**-**	-
Belize	**34,621,377**	-	**-**	-
Japan	**28,711,835**	80,348,658	**86,433**	-
Taiwan	**24,250,704**	83,275,116	**-**	-
Republic of Ireland	**10,810,803**	18,371,222	**-**	-
India	**6,179,845**	2,325,819	**-**	-
Others	**16,656,984**	21,689,932	**-**	-
	600,586,987	508,389,017	**264,179,285**	222,375,171

(iii) **Information about major customers**

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

	Revenue		Segment
	2022	2021	
	RM	RM	
All common control companies of:			
Customer A	**93,544,053**	N/A	**ATE***
Customer B	**N/A**	76,278,870	**ATE***
Customer C	**N/A**	73,743,201	**ATE***
	93,544,053	150,022,071	

* ATE represents automated test equipment segment.

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

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

36. FINANCIAL INSTRUMENTS

36.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost AC, FVTPL and FVOCI.

	Carrying amount RM	AC RM	FVTPL RM	FVOCI RM
2022				
GROUP				
Financial assets				
Investment in RCPS of an associate	**18,000,000**	**-**	**18,000,000**	**-**
Trade receivables	**237,925,562**	**237,925,562**	**-**	**-**
Other receivables and refundable deposits	**32,015,809**	**32,015,809**	**-**	**-**
Derivative financial assets	**489,010**	**-**	**489,010**	**-**
Other investments	**6,335,031**	**-**	**218,310**	**6,116,721**
Cash and cash equivalents	**421,225,162**	**421,225,162**	**-**	**-**
	715,990,574	**691,166,533**	**18,707,320**	**6,116,721**

	Carrying amount RM	AC RM	FVTPL RM
2022			
GROUP			
Financial liabilities			
Trade payables	**121,527,618**	**121,527,618**	**-**
Other payables and accruals	**30,266,876**	**30,266,876**	**-**
Borrowings	**6,846,688**	**-**	**6,846,688**
	158,641,182	**151,794,494**	**6,846,688**
COMPANY			
Financial assets			
Other receivables and refundable deposits	**337,279**	**337,279**	**-**
Inter-company balances	**60,555,530**	**60,555,530**	**-**
Cash and cash equivalents	**89,910,083**	**89,910,083**	**-**
	150,802,892	**150,802,892**	**-**
Financial liabilities			
Other payables and accruals	**399,243**	**399,243**	**-**
Inter-company balances	**6,280**	**6,280**	**-**
	405,523	**405,523**	**-**

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

36.1 **Categories of financial instruments** (Cont'd)

	Carrying amount RM	AC RM	FVTPL RM
2021			
GROUP			
Financial assets			
Investment in RCPS of an associate	18,000,000	-	18,000,000
Trade receivables	165,312,051	165,312,051	-
Other receivables and refundable deposits	33,836,684	33,836,684	-
Derivative financial assets	1,246,417	-	1,246,417
Other investments	373,806	-	373,806
Cash and cash equivalents	478,241,273	478,241,273	-
	697,010,231	677,390,008	19,620,223
Financial liabilities			
Trade payables	77,559,912	77,559,912	-
Other payables and accruals	38,116,459	38,116,459	-
Borrowings	2,564,887	2,564,887	-
	118,241,258	118,241,258	-
COMPANY			
Financial assets			
Other receivables and refundable deposits	320,654	320,654	-
Inter-company balances	32,307,604	32,307,604	-
Cash and cash equivalents	125,263,906	125,263,906	-
	157,892,164	157,892,164	-
Financial liabilities			
Other payables and accruals	417,725	417,725	-
Inter-company balances	21,034	21,034	-
	438,759	438,759	-

36.2 **Financial risk management**

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

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

36.3 **Credit risk**

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

36.3.1 **Receivables**

Trade receivables

Credit risk arising from trade customers is addressed by the application of credit evaluation and close monitoring procedures by the management. The Group extends to existing customers credit terms that range between **30 to 120 days** (2021: 30 to 90 days). In deciding whether credit terms shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness.

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

In addition, as set out in Note 3.9, the Group assesses ECL under MFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 5 years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The Group applies the MFRS 9 simplified approach to measuring ECL, which uses a lifetime ECL for all trade receivables using a provision matrix. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is **0.00%** (2021: 0.00%), past due between 0 to 30 days is ranged from **0.25% to 1.13%** (2021: 0.94% to 1.17%), past due between 31 to 90 days is ranged from **0.11% to 0.91%** (2021: 0.00% to 0.51%), past due between 91 to 365 days is ranged from **0.85% to 3.98%** (2021: 0.00% to 2.03%). The Group's ECL allowance computed using provision matrix is not material thus was not provided for, however the Group had individually impaired trade receivables amounted to **RM1,909,982** (2021: RM2,024,751) for the financial year in view that these debts are due more than one year and collection is remote.

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

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

	GROUP	
	2022	2021
	%	%
Customers with debts of RM10,000,000 and above	**52**	39
Customers with debts of less than RM10,000,000	**48**	61
	100	100

Customers with debts of RM10,000,000 and above were due from **5 customers** (2021: 4 customers).

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

36.3 **Credit risk** (Cont'd)

36.3.1 **Receivables** (Cont'd)

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

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

	Gross RM	Expected credit loss RM	Net RM
2022			
Not past due	**113,469,119**	**-**	**113,469,119**
1 to 30 days past due	**10,113,627**	**-**	**10,113,627**
31 to 120 days past due	**63,256,957**	**(787,996)**	**62,468,961**
Past due more than 120 days	**52,803,934**	**(930,079)**	**51,873,855**
	126,174,518	**(1,718,075)**	**124,456,443**
Individually impaired	**1,578,546**	**(1,578,546)**	**-**
	241,222,183	**(3,296,621)**	**237,925,562**
2021			
Not past due	75,511,837	-	75,511,837
1 to 30 days past due	13,420,151	-	13,420,151
31 to 120 days past due	36,975,641	-	36,975,641
Past due more than 120 days	39,404,422	-	39,404,422
	89,800,214	-	89,800,214
Individually impaired	8,094,945	(8,094,945)	-
	173,406,996	(8,094,945)	165,312,051

Other receivables

The Group finances the property development project in which it is managing as part of the project financing and management agreement entered into between one of the Company's subsidiary and the developer. The outstanding balance financed is exposed to credit risk with the maximum exposure being represented by the carrying amount as disclosed in Note 11 to the financial statements.

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

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

36.3 **Credit risk** (Cont'd)

36.3.2 **Intercompany balances**

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

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

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

36.4 **Liquidity risk**

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

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

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

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2022						
Trade payables	**121,527,618**	**121,527,618**	**121,527,618**	**-**	**-**	**-**
Other payables and accruals	**30,266,876**	**30,266,876**	**30,266,876**	**-**	**-**	**-**
Derivatives financial liabilities	**6,846,688**	**6,846,688**	**6,846,688**	**-**	**-**	**-**
	158,641,182	**158,641,182**	**158,641,182**	**-**	**-**	**-**
2021						
Trade payables	77,559,912	77,559,912	77,559,912	-	-	-
Other payables and accruals	38,116,459	38,723,219	38,723,219	-	-	-
Borrowings	2,564,887	2,812,139	503,280	503,280	1,509,840	295,739
	118,241,258	119,095,270	116,786,411	503,280	1,509,840	295,739

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

36.4 **Liquidity risk** (Cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM
COMPANY			
2022			
Other payables and accruals	**399,243**	**399,243**	**399,243**
Inter-company balances	**6,280**	**6,280**	**6,280**
	405,523	**405,523**	**405,523**
2021			
Other payables and accruals	417,725	417,725	417,725
Inter-company balances	21,034	21,034	21,034
	438,759	438,759	438,759

36.5 **Interest rate risk**

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

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

	GROUP		COMPANY	
	2022 RM	2021 RM	**2022 RM**	2021 RM
Floating rate instruments				
Financial assets	**299,999,891**	385,422,500	**89,359,058**	124,510,277
Financial liabilities	**-**	2,564,887	**-**	-

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

36.5 **Interest rate risk** (Cont'd)

Cash flow sensitivity analysis for variable rate instruments

An increase/decrease of 25 basis points would have increased the profit before tax and equity of the Group and the Company by the amount shown below and a corresponding decrease would have an equal but opposite effect:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	RM	RM	**RM**	RM
Increase in profit before tax	**750,000**	957,000	**223,000**	311,000
Increase in equity	**750,000**	959,000	**223,000**	311,000

36.6 **Foreign currency risk**

The Group is exposed to foreign currency risk as a result of its normal trading activities whereby sales and purchases that are principally transacted in US Dollar ("USD"), Chinese Renminbi ("RMB") and Euro. The Group also holds cash and bank balances denominated in RMB, USD and Euro for working capital purposes. The Group mitigates the exposure to this risk by maintaining USD, RMB and Euro denominated bank accounts and entering into foreign currency forward contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the various foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before tax and equity. A 5% strengthening of the RM against the following currencies at the end of the reporting period would decrease the Group's profit before tax and equity by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis confines to the carrying amounts of financial assets and liabilities denominated in the following currencies as at the end of the reporting period and assumes that all other variables remain constant.

	GROUP			
	2022		2021	
	Equity RM	**Profit before tax RM**	Equity RM	Profit before tax RM
US Dollar	**(6,221,898)**	**(8,186,708)**	(5,121,590)	(6,738,934)
Chinese Renminbi	**(1,992,796)**	**(2,414,240)**	(953,627)	(1,172,707)
Euro	**(27,058)**	**(35,602)**	(472,242)	(621,371)
Hong Kong Dollar	**(20,323)**	**(26,741)**	(68,762)	(90,476)
Japanese Yen	**(9,087)**	**-**	(6,189)	-
	(8,271,162)	**(10,663,291)**	(6,622,410)	(8,623,488)

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

36.7 Equity price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial assets designated at FVTPL and FVOCI will fluctuate because of changes in market prices. Equity price risk arises from the Group's investment in associates and other investments which are the unquoted equity securities.

Management of the Group monitors these equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Company.

Sensitivity analysis for equity price risk

As at the end of the reporting period, if the prices of the investment in RCPS and other investments have been 5% higher/lower, with all other variables held constant, the Group's profit before tax and equity would have been **RM910,915** (2021: RM918,690) and **RM1,216,752** (2021: RM918,690) higher/lower respectively, arising as a result of higher/lower fair value gain on investments in RCPS and other investments.

36.8 Fair value information

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

Fair value hierarchy

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

GROUP

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2022				
Assets				
Investment in quoted shares	**218,310**	**-**	**-**	**218,310**
Forward contract *(assets)*	**-**	**489,010**	**-**	**489,010**
Investment in RCPS	**-**	**-**	**18,000,000**	**18,000,000**
Investments in unquoted shares	**-**	**1,116,721**	**5,000,000**	**6,116,721**
Investment properties	**-**	**23,603,000**	**-**	**23,603,000**
	218,310	**25,208,731**	**23,000,000**	**48,427,041**
Liability				
Forward contract *(liabilities)*	**-**	**6,846,688**	**-**	**6,846,688**

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

36.8 **Fair value information** (Cont'd)

GROUP

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021				
Assets				
Investment in quoted shares	373,806	-	-	373,806
Forward contract *(assets)*	-	1,246,417	-	1,246,417
Investment in RCPS	-	-	18,000,000	18,000,000
Investment properties	-	19,879,000	-	19,879,000
	373,806	21,125,417	18,000,000	39,499,223

There were no transfers between Level 1 and Level 2 during the financial year ended 31 December 2022 and 2021.

Fair value measurement

Investment in quoted shares

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

Forward contract

The derivative financial assets and 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.

Investment in RCPS of PAC

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value of investment in RCPS is determined using the price/book ratio of comparable listed companies adjusted for lack of marketability discount.	- Discount of lack of marketability at **15.80%** (2021: 15.80%)	An increase in the discount for lack of marketability would decrease the fair value.

As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in the discount of lack of marketability by **10%** (2021: 10%) would decrease /increase the Group's profit or loss by **RM1,416,000/ RM Nil** (2021: RM341,000/ RM Nil).

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

36.8 **Fair value information** (Cont'd)

Investments in unquoted shares

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value of investment is determined using the income approach by way of discounted cash flows valuation analysis.	- Weighted average cost of capital ("WACC") at **6.95%** - Discount of lack of marketability at **60%** - Discount for uncertainty of projections at **40%**	An increase in the WACC, discount of lack of marketability and discount for uncertainty of projections would decrease the fair value.

As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease the WACC by **0.55%** would decrease/increase the Group's total comprehensive income by **(RM651,000)/RM669,000**.

Investment properties

The fair value for investment properties for disclosure purposes is categorised under Level 2 of the fair value hierarchy (refer to Note 2.2 to the financial statement for definition of fair value hierarchy). The fair value is derived based on appraisal performed by independent professional valuers using the sales comparison approach. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, age and condition of the building. The most significant input into this valuation approach is the price per square foot of comparable properties.

37. **CAPITAL MANAGEMENT**

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

Debt-to-Equity ratio

	GROUP	
	2022	2021
	RM	RM
Borrowings	**-**	2,564,887
Less: Cash and cash equivalents	**(421,225,162)**	(478,241,273)
	(421,225,162)	(475,676,386)
Total equity	**892,740,838**	795,618,888
Debt-to-equity ratio	**N/A**[(i)]	N/A[(i)]

[(i)] N/A - Not applicable as net cash position

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

38. **SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR**

(i) **Recommendation of a final single tier dividend**

On 23 February 2023, the Directors recommended a final single tier dividend of 2.0 sen per ordinary share amounting to approximately RM14.2 million in respect of the financial year ended 31 December 2022 for shareholders' approval at the forthcoming Annual General Meeting. The current financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

(ii) **Proposed subscription of new shares in Everready Precision Industrial Corp, Taiwan, Republic of China ("EPIC")**

On 20 April 2022, PIL, a subsidiary of the Company, has entered into a Share Conversion Letter of Undertaking ("SCL") with EPIC, and AHEAD Optoelectronics, Inc., Taiwan, Republic of China ("AHEAD") to subscribe for 16,614,507 new fully paid-up ordinary shares (equivalent to 29.9% equity interest) in EPIC. Prior to the execution of the SCL, PIL has signed a letter of loan conversion and share subscription to convert PIL's receivable from EPIC into newly issued ordinary shares in EPIC as at 31 December 2021. The subscription amount of USD6,776,733 (approximately RM28,225,0000) has been recorded as investment deposits under other receivables in Note 11 to the financial statements.

On 6 May 2022, an Assignment Agreement has been entered between PIL, PB, a subsidiary of the Company, and EPIC that all the rights and obligations of PIL in the investment deposits were assigned to PB at USD6,776,733.

On 4 July 2022, PB has proceeded to convert the investment deposits to subscription for 16,614,507 new fully paid-up ordinary shares in EPIC representing 29.9% of the enlarged equity interest in EPIC for a total consideration of USD6,776,733 (approximately equivalent to RM29,885,393) at an exchange rate of USD1 : RM4.41) subject to approval from the relevant authorities in Taiwan and completion of certain condition precedent.

On 15 March 2023, the Board of Directors of the Company has announced that PB has elected to withdraw from the Proposed Subscription and PB will pursue for the return of the investment sum of USD6,776,733 from EPIC. This is mainly due to a change in strategic decision to enter into the Taiwan market on its own or with another strategic partner, taking into consideration the economic and industry trend that is more in line with the Group's immediate business plan.

(iii) **Investment in Wisdom Capital Limited Partnership (the "Partnership")**

On 7 July 2022, PB has formalised an investment of up to USD1,000,000 (equivalent to approximately RM4,428,000) over a period of four years in the Partnership, a Taiwan-based Fund focusing an investment in Global DeepTech-Semiconductor companies based in Taiwan ("Proposed Investment A").

The Proposed Investment A has obtained clearance from the relevant authorities in Taiwan and the remittance of the 1st tranche of investment of USD254,000 has been made on 7 July 2022. This investment is recorded as non-current asset carried at FVOCI as disclosed in Note 10 to the financial statements.

(iv) **Investment in Pingspace Sdn. Bhd. ("Pingspace")**

On 8 July 2022, PB has entered into a Share Investment Agreement to subscribe for 225,451 new fully paid up ordinary shares representing 6.8% of the total enlarged issued and paid-up capital in Pingspace ("Proposed Investment B") for a total cash consideration of RM5,000,000. The Proposed Investment B has been completed on 15 August 2022 and is recorded as non-current asset carried at FVOCI as disclosed in Note 10 to the financial statements.

(v) **Incorporation of Pentamaster Automation (Germany) GmbH ("PAG")**

On 29 March 2023, PT, a subsidiary of the Company has incorporated a wholly foreign-owned subsidiary, PAG, in Germany with an issued and paid-up share capital of Euro 25,000. The intended principal activities of PAG are design and development, production and sales of automated test equipment, factory automation system and other handling solutions as well as providing technical consulting services and other related support services.

List of Landed Properties

Location of Landed Properties	Date of Acquisition	Description and Existing Use	Tenure	Land Area	Approximate Age of Building	Net Book Value as at 31 December 2022 (RM)
H.S. (D) 19135 & H.S.(D) 19121, Mukim of 12 South West District, Plot 18 & Plot 19, Bayan Lepas Technoplex, Penang, Malaysia	23/12/2000 and 21/3/2001 respectively	Industrial lot / factory building and office building	Leasehold (60 years expiring on 1/7/2062 and 21/7/2062 respectively)	4.03 acres	19 years	50,592,357
H.S. (D) 47991, PT 5917, Mukim of 13, District of Seberang Perai Selatan, 749, Persiaran Cassia Selatan 4, Taman Perindustrian Batu Kawan, Simpant Ampat, Penang, Malaysia	19/3/2015	Industrial lot / factory building and office building	Leasehold (60 years expiring on 6/12/2075)	3.23 acres	8 years	30,837,578
Plot 1(b), PT 4083, Mukim 13 District of Seberang Perai Selatan, Penang, Malaysia	3/11/2021	Industrial lot	Leasehold (60 years expiring from the date of land title issuance, which is yet to be issued by the Penang State Authority at the date of issuance of this Annual Report)	11.80 acres		28,279,304

Analysis of Shareholdings
AS AT 31 MARCH 2023

Issued Share Capital	:	711,317,121* Ordinary Shares ("Shares")
Class of Equity Securities	:	Ordinary Shares ("Shares")
Voting Rights	:	One vote per Share

* Excluding a total of 1,000,000 Shares retained as treasury shares

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Issued Shares	% [1]
1004	Less than 100 shares	47,957	0.01
3,518	100 – 1,000 shares	2,118,138	0.30
4,511	1,001 – 10,000 shares	17,167,535	2.41
1,319	10,001 - 100,000 shares	40,475,682	5.69
381	100,001 to less than 5% of issued shares	511,587,689	71.92
1	5% and above of issued shares	139,920,120	19.67
10,734	**Total**	**711,317,121**	**100.00**

Note:

[1] excluding a total of 1,000,000 Shares retained as treasury shares

30 Largest Securities Account Holders
(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held	% [1]
1	HSBC NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)*	139,920,120	19.67
2	LEMBAGA TABUNG HAJI	32,254,000	4.53
3	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG VALUE FUND*	30,263,300	4.25
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	19,636,075	2.76
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	19,239,200	2.70
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RESOLUTE ACCOMPLISHMENT SDN BHD*	18,955,608	2.66
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	16,135,053	2.27
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD*	16,049,700	2.26
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE*	15,000,000	2.11
10	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)*	13,189,711	1.85

Analysis of Shareholdings
AS AT 31 MARCH 2023

30 Largest Securities Account Holders (cont'd)
(without aggregating the securities from different securities accounts belonging to the same person) (cont'd)

No.	Name	No. of Shares held	% [1]
11	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG BALANCED FUND*	11,550,000	1.62
12	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	9,948,700	1.40
13	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)*	9,611,550	1.35
14	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	8,857,550	1.25
15	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC DIVIDEND FUND*	8,035,500	1.13
16	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND*	7,949,950	1.12
17	PERTUBUHAN KESELAMATAN SOSIAL	7,933,200	1.12
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *URUSHARTA JAMAAH SDN. BHD. (2)*	7,000,000	0.98
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)*	6,431,600	0.90
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)*	6,302,600	0.89
21	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)*	6,242,750	0.88
22	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	5,368,753	0.75
23	CARTABAN NOMINEES (ASING) SDN BHD *STATE STREET LONDON FUND OQ78 FOR ISHARES IV PUBLIC LIMITED COMPANY*	4,552,700	0.64
24	HSBC NOMINEES (ASING) SDN BHD *TNTC FOR BARINGS ASEAN FRONTIERS FUND*	4,243,150	0.60
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIERRA BONUS SDN BHD*	3,974,550	0.56
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (BNP NAJMAH EQ)*	3,935,500	0.55
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)*	3,900,100	0.55
28	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II*	3,644,800	0.51
29	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR NORGES BANK (FI 17)*	3,644,556	0.51
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)*	3,530,100	0.50

Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders

	No. of Shares beneficially held			
Name of Substantial Shareholders	**Direct**	**%** [1]	**Indirect**	**%** [1]
CHUAH CHOON BIN	140,420,120	19.74	138,510[2]	0.02
EMPLOYEES PROVIDENT FUND BOARD	-	-	47,937,850[3]	6.74
LEMBAGA TABUNG HAJI	32,254,000	4.53	3,429,800[4]	0.48

Note:

[1] *Excluding a total of 1,000,000 Shares retained as treasury shares*
[2] *Deemed interested through the shareholding of his spouse pursuant to Section 59(11)(c) of the Act*
[3] *Shares held by Citigroup Nominees (Tempatan) Sdn. Bhd.*
[4] *Shares held by Lembaga Tabung Haji*

Directors' Shareholdings based on Register of Director's Shareholdings (Direct & Indirect)

a) In the Company

	No. of Shares beneficially held			
Name of Directors	**Direct**	**%** [1]	**Indirect**	**%** [1]
CHUAH CHOON BIN	140,420,120	19.74	138,510[2]	0.02
GAN PEI JOO	50,486	0.01	-	-
DATO' LOH NAM HOOI	437,400	0.06	-	-
LENG KEAN YONG	40,000	0.01	-	-
LEE KEAN CHEONG	10,000	-[3]	-	-
ROSLINDA BINTI AHMAD[4]	-	-	-	-

Note:

[1] *Excluding a total of 1,000,000 Shares retained as treasury shares*
[2] *Deemed interested through the shareholding of his spouse pursuant to Section 59(11)© of the Act*
[3] *Negligible*
[4] *Appointment as director w.e.f. 7 April 2023*

b) In related Corporation

Pentamaster International Limited

	No. of Shares beneficially held			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
CHUAH CHOON BIN	26,611,200	1.11	-	-
GAN PEI JOO [1]	8,103,544	0.34	-	-
DATO' LOH NAM HOOI	1,012,000	0.04	-	-
LENG KEAN YONG	250,000	0.01	-	-
ROSLINDA BINTI AHMAD[2]	-	-	-	

Note:
[1] *Includes Ms. Gan Pei Joo's entitlement to receive up to 241,667 Shares pursuant to the vesting of the award shares granted to her under the Scheme, subject to the conditions (including vesting conditions) of those award shares.*
[2] *Appointment as director in Pentamaster Corporation Berhad w.e.f. 7 April 2023*

None of the other Directors have any interest in the shares of related corporations as at 31 March 2023.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty First Annual General Meeting of Pentamaster Corporation Berhad will be held at Level 4, Jadeite Function Room, Amari SPICE Penang, 2, Persiaran Mahsuri, Bayan Baru, 11900 Bayan Lepas, Pulau Pinang on Wednesday, 31 May 2023 at 10:30 a.m. for the following purposes :-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. — Please refer to Note 3

2. To approve the payment of a final single tier dividend of 2 sen per share for the financial year ended 31 December 2022. — Ordinary Resolution 1

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

   (a) RM232,320 to Directors of the Company for the financial year ended 31 December 2022; and — Ordinary Resolution 2

   (b) HKD885,720 (approximately RM500,000 equivalent) per annum to Directors of the subsidiary company commencing from the financial year ending 31 December 2023 and that such fees to the Directors of the subsidiary company shall continue until otherwise resolved. — Ordinary Resolution 3

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

   (a) RM35,000 to the Non-Executive Directors of the Company from 1 June 2023 until the next annual general meeting of the Company; and — Ordinary Resolution 4

   (b) RM35,000 to the Non-Executive Directors of the subsidiary company from 1 June 2023 until the next annual general meeting of the Company. — Ordinary Resolution 5

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

   (a) "THAT Mr. Chuah Choon Bin, who retires pursuant to Clause 109(a) and (b) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." — Ordinary Resolution 6

   (b) "THAT Mr. Lee Kean Cheong, who retires pursuant to Clause 109(a) and (b) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." — Ordinary Resolution 7

   (c) "THAT Ms. Roslinda Binti Ahmad, who retires pursuant to Clause 116 of the Company's Constitution, be and is hereby re-elected as a Director of the Company." — Ordinary Resolution 8

6. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — Ordinary Resolution 9

AS SPECIAL BUSINESS

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

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

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

AND THAT pursuant to Section 85 of the Act read together with Clause 67 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to Sections 75 and 76 of the Act."

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

(b) "THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into any of the category of recurrent transactions of a revenue or trading nature falling within the types of transactions as detailed in Section 2.2(b) of the Company's Circular to Shareholders dated 28 April 2023 ("Said Circular") involving the interests of Directors, major shareholders or persons connected with such Directors or major shareholders of the Company ("Related Parties") as detailed therein provided that such transactions are necessary for the day-to-day operations and they are carried out in the ordinary course of business and are made on an arm's length basis on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. Ordinary Resolution 11

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

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

(i) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions; or

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

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

whichever is the earlier.

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

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

(c) "THAT, subject to the Companies Act 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares ("Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors of the Company may deem fit and expedient in the best interest of the Company provided that :- Ordinary Resolution 12

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

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

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

(the "Proposed Share Buy-Back")

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

(i) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

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

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

whichever is the earlier.

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

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of shareholders at the Twenty First Annual General Meeting of the Company, the final single tier dividend of 2 sen per share for the financial year ended 31 December 2022 will be paid to shareholders on 28 July 2023. The entitlement date for the proposed dividend shall be on 14 July 2023. A depositor shall qualify for the entitlement to the dividend only in respect of:

a) Shares transferred to the depositor's securities account before 4:30 p.m. on 14 July 2023 in respect of ordinary transfer; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By order of the Board

Adeline Tang Koon Ling
(LS0009611)
SSM PC No. 202008002271

Kong Sown Kaey
(MAICSA 7047655)
SSM PC No. 202008001434
Secretaries

Penang
Date : 28 April 2023

NOTES

1. Appointment of Proxy

(a) Subject to Paragraph (c) below, a member entitled to attend and vote is entitled to appoint more than one (1) proxy to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

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

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

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

NOTES (CONT'D)

(e) The instrument appointing a proxy may be made in hardcopy form or by electronic means in the following manner not less than 48 hours before the time for holding the meeting or any adjournment thereof:

(i) In hardcopy form:
The proxy form shall be deposited at the office of the Company's Share Registrar at Securities Services (Holdings) Sdn Bhd, Suite 18.05, MWE Plaza, No. 8, Lebuh Farquhar, 10200 Penang.

(ii) By electronic means:
The proxy form shall also be electronically lodged by email to eservices@sshsb.com.my.

(f) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, the resolutions set out above will be put to vote by way of poll.

2. Members entitled to attend Twenty First Annual General Meeting ("AGM")

For the purpose of determining a member who shall be entitled to attend the Twenty First AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Clause 78(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 24 May 2023. Only a depositor whose name appears in the Record of Depositors as at 24 May 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

3. Audited Financial Statements for the financial year ended 31 December 2022

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

4. Ordinary Resolutions No. 2 and 3 – Proposed payment of Directors' fees

Pursuant to Section 230(1) of the Companies Act 2016, the Company shall at every AGM approve the fees of the Directors of the Company and its subsidiaries. The Directors' fees payable to the Directors have been reviewed by the Remuneration Committee and the Board of Directors of the Company. The Directors' fees are in accordance with the remuneration framework of the Group.

The proposed Ordinary Resolution 3 is to facilitate the payment of Directors fees on current year basis. In the event, the Directors' fees proposed is insufficient, the Board will seek the approval from the shareholders at the next AGM for additional fees to meet the shortfall.

5. Ordinary Resolutions No. 4 and 5 – Proposed payment of Directors' benefits (excluding Directors' fees)

The Directors' benefits (excluding Directors' fees) comprises the allowances and other benefits. The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board and Board Committees meetings for the period from 1 June 2023 until the next AGM. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

6. Ordinary Resolutions No. 6 and 7 - Re-election of Director who retires in accordance with Clause 109(a) and (b) of the Company's Constitution

Clause 109(a) and (b) of the Company's Constitution provides that an election of directors shall take place each year. 1/3 of the directors for the time being shall retire from office at each AGM but shall be eligible for re-election at the said meeting. If the total number of the directors is not 3 or a multiple of 3, the number nearest to 1/3 will retire. The Directors to retire in every year shall be those who have been longest in office since their last election.

Mr. Chuah Choon Bin and Mr. Lee Kean Cheong who will be retiring and offering themselves for re-election at the Twenty First AGM was evaluated by the Nominating Committee and the Board. Based on the evaluation outcome, the Nominating Committee and the Board were of the view that their performances were satisfactory and recommended their re-elections for shareholders' approval.

NOTES (CONT'D)

7. **Ordinary Resolution No. 8 - Re-election of Director who retires in accordance with Clause 116 of the Company's Constitution**

   Clause 116 of the Company's Constitution provides that any Director appointed to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

   Ms. Roslinda Binti Ahmad was newly appointed to the Board on 7 April 2023 and will be retiring and offering herself for re-election at the Twenty First AGM.

8. **Ordinary Resolution No. 10 - Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**

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

   As at the date of this notice no shares have been issued pursuant to the mandate granted to the Directors at the last AGM held on 31 May 2022 and which will lapse at the conclusion of the Twenty First AGM.

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

9. **Ordinary Resolution No. 11 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

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

   Please refer to Part A of the Circular and Statement to Shareholders dated 28 April 2023 for further information.

10. **Ordinary Resolution No. 12 - Proposed renewal of shareholders' mandate for purchase by the Company of its own shares of up to ten percent (10%) of its total number of issued shares**

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

    Please refer to Part B of the Circular and Statement to Shareholders dated 28 April 2023 for further information.

Personal Data Privacy
By registering for the meeting and/or submitting an instrument appointing proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company: (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the AGM; (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereof); and (c) for the Company's (or its agents") compliance with any applicable laws, listing rules, regulations and/or guidelines (collectively "the Purpose"); (ii) warrants that he/she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative(s)' personal data for the Purposes; and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Note: The term "processing" and "personal data" shall have the meaning as defined in the Personal Data Protection Act, 2010.

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PENTAMASTER CORPORATION BERHAD 200201004644 (572307-U)
(Incorporated in Malaysia)

Proxy Form

FOR THE 21st ANNUAL GENERAL MEETING

CDS Account No.	
No. of shares held	

I/We ____
(Full Name in Block Letters)

of ____
(Address)

being a member/members of the above Company appoint (Proxy 1) ____

____
(Full Name in Block Letters)

of ____
(Address)

and/or failing him (Proxy 2), ____
(Full Name in Block Letters)

of ____
(Address)

or failing him, the Chairman of the Meeting as my/our Proxy to vote in my/our name(s) on my/our behalf at the Twenty First Annual General Meeting ("AGM") of the Company to be held on at Level 4, Jadeite Function Room, Amari SPICE Penang, 2, Persiaran Mahsuri, Bayan Baru, 11900 Bayan Lepas, Pulau Pinang on Wednesday, 31 May 2023 at 10:30 a.m. and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To approve the payment of a final single tier dividend of 2 sen per share for the financial year ended 31 December 2022.	Ordinary Resolution 1		
To approve the payment of Directors' fees amounting to RM232,320 to Directors of the Company for the financial year ended 31 December 2022.	Ordinary Resolution 2		
To approve the payment of Directors' fees amounting to HKD885,720 (approximately RM500,000 equivalent) per annum to Directors of the subsidiary company commencing from the financial year ending 31 December 2023 and that such fees to the Directors of the subsidiary company shall continue until otherwise resolved.	Ordinary Resolution 3		
To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the Company from 1 June 2023 until the next Annual General Meeting of the Company.	Ordinary Resolution 4		
To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the subsidiary company from 1 June 2023 until the next Annual General Meeting of the Company.	Ordinary Resolution 5		
To re-elect Mr. Chuah Choon Bin who retires in accordance with Clause 109(a) and (b) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 6		
To re-elect Mr. Lee Kean Cheong who retires in accordance with Clause 109(a) and (b) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 7		
To re-elect Ms. Roslinda Binti Ahmad who retires in accordance with Clause 116 of the Company's Constitution as a Director of the Company.	Ordinary Resolution 8		
To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 9		
To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	Ordinary Resolution 10		
To approve the proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.	Ordinary Resolution 11		
To approve the purchase by the Company of its own shares of up to 10% of its total number of issued shares.	Ordinary Resolution 12		

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

The proportion of my/our holding to be represented by my/our proxies are as follows:-

Proxy 1	%
Proxy 2	%
	100 %

Dated this ______________ day of ______________ 2023.

____
Signature of Shareholder or Common Seal

Notes :

(a) Only a Depositor whose name appears in the Record of Depositors as at 24 May 2023 shall be entitled to attend the Twenty First AGM or appoint proxies to attend, speak and/or vote on his/her behalf.

(b) Subject to Paragraph (f) below, a member entitled to attend and vote is entitled to appoint more than one (1) proxy to attend and vote instead of him. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.

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

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

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

(f) The instrument appointing a proxy may be made in hardcopy form or by electronic means in the following manner not less than 48 hours before the time for holding the meeting or any adjournment thereof:

In hardcopy form:

The proxy form shall be deposited at the office of the Company's Share Registrar at Securities Services (Holdings) Sdn Bhd, Suite 18.05, MWE Plaza, No. 8, Lebuh Farquhar, 10200 Penang.

By electronic means:

The proxy form shall also be electronically lodged by email to eservices@sshsb.com.my.

(g) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, the resolutions set out above will be put to vote by way of poll.

Please fold across the lines and close

Affix stamp

The Share Registrar
PENTAMASTER CORPORATION BERHAD
200201004644 (572307-U)

Suite 18.05, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 Penang

Please fold across the lines and close

PENTAMASTER CORPORATION BERHAD
200201004644 (572307-U)

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