PENTAMASTER INTERNATIONAL LIMITED
檳傑科達國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1665)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of Pentamaster International Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, "we", "us", "our" or the "Group") for the year ended 31 December 2022 ("FY2022"), together with the comparative figures for the year ended 31 December 2021 ("FY2021") *(expressed in Ringgit Malaysia "MYR")*. Such information should be read in conjunction with the prospectus of the Company dated 29 December 2017 (the "Prospectus") and the 2021 annual report of the Company ("Annual Report").

FINANCIAL HIGHLIGHTS

For the year ended 31 December	**2022**	2021
	MYR'000	MYR'000
Revenue	**600,587**	508,086
Gross profit	**185,452**	154,914
Profit for the year	**133,301**	116,744
Earnings per share (sen)		
Basic	**5.59**	4.87
Diluted	**5.58**	4.87

- Revenue of the Group was MYR600.6 million, representing an increase of 18.2% over the preceding year.

- Profit for the year stood at MYR133.3 million, representing an increase of 14.2% over the preceding year.

- Cash and cash equivalents of MYR328.6 million as at 31 December 2022 against MYR350.0 million in the preceding year.

- The Board recommends the payment of a final dividend of HK$0.02 per share in respect of the year ended 31 December 2022 subject to approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 MYR'000	2021 MYR'000
Revenue	*4*	**600,587**	508,086
Cost of goods sold		**(415,135)**	(353,172)
Gross profit		**185,452**	154,914
Other income	*5*	**11,402**	15,187
Distribution costs		**(9,965)**	(10,623)
Administrative expenses		**(55,120)**	(36,976)
Reversal of/(Provision for) expected credit loss ("ECL") allowance on trade receivables, net		**4,798**	(250)
Other operating expenses		**(86)**	(101)
Operating profit		**136,481**	122,151
Finance costs		**(87)**	(92)
Share of results of associates		**(1,636)**	(1,485)
Profit before taxation	*6*	**134,758**	120,574
Taxation	*7*	**(1,457)**	(3,830)
Profit for the year attributable to owners of the Company		**133,301**	116,744
Other comprehensive income, including reclassification adjustments			
Item that will be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(136)**	56
Total comprehensive income for the year attributable to owners of the Company		**133,165**	116,800
Earnings per share attributable to owners of the Company (sen):			
– Basic	*9*	**5.59**	4.87
– Diluted	*9*	**5.58**	4.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	**2022** **MYR'000**	2021 MYR'000
ASSETS			
Non-current assets			
Property, plant and equipment		**134,645**	99,745
Leasehold land		**35,320**	35,465
Goodwill		**4,495**	4,495
Intangible assets		**35,653**	34,629
Interest in associates		**20,070**	21,706
Deposit paid	*11*	**–**	28,225
Deferred tax assets		**–**	221
		230,183	224,486
Current assets			
Inventories		**170,934**	72,006
Trade receivables	*10*	**237,926**	164,043
Other receivables, deposits and prepayments	*11*	**30,511**	12,517
Amount due from ultimate holding company		**6**	20
Amount due from a fellow subsidiary		**–**	17
Derivative financial assets		**489**	1,246
Other investments		**219**	374
Tax recoverable		**2,765**	412
Cash and cash equivalents		**328,628**	349,959
		771,478	600,594
Total assets		**1,001,661**	825,080

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 December 2022

	Notes	**2022** **MYR'000**	2021 MYR'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*15*	**12,340**	12,340
Reserves		**724,373**	624,403
Total equity		**736,713**	636,743
LIABILITIES			
Current liabilities			
Trade payables	*12*	**121,528**	77,553
Other payables, accruals and provisions	*13*	**31,139**	38,824
Contract liabilities	*14*	**100,581**	64,152
Amount due to a fellow subsidiary		**179**	–
Bank borrowing		**–**	2,565
Derivative financial liabilities		**6,847**	–
Provision for taxation		**912**	944
		261,186	184,038
Non-current liabilities			
Deferred tax liabilities		**3,762**	4,299
		3,762	4,299
Total liabilities		**264,948**	188,337
Total equity and liabilities		**1,001,661**	825,080

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital MYR'000	Share premium* MYR'000	Shares held for share award scheme* MYR'000	Share award reserve* MYR'000	Capital reserve* MYR'000	Translation reserve* MYR'000	Retained profits* MYR'000	Proposed final dividend* MYR'000	Total MYR'000
As at 1 January 2021	**8,054**	**84,936**	**(5,849)**	**–**	**44,477**	**–**	**385,255**	**16,672**	**533,545**
Transactions with owners:									
Purchase of shares for share award scheme	–	–	(2,201)	–	–	–	–	–	(2,201)
Equity-settled share award scheme expenses	–	–	–	5,597	–	–	–	–	5,597
Vesting of shares of share award scheme	–	–	3,781	(3,331)	–	–	(450)	–	–
Bonus issue	4,286	(4,286)	–	–	–	–	–	–	–
	4,286	(4,286)	1,580	2,266	–	–	(450)	–	3,396
Profit for the year	–	–	–	–	–	–	116,744	–	116,744
Other comprehensive income	–	–	–	–	–	56	–	–	56
Total comprehensive income for the year	–	–	–	–	–	56	116,744	–	116,800
2020 final dividend approved	–	–	–	–	–	–	(326)	(16,672)	(16,998)
2021 final dividend proposed	–	–	–	–	–	–	(25,766)	25,766	–
As at 31 December 2021 and 1 January 2022	**12,340**	**80,650**	**(4,269)**	**2,266**	**44,477**	**56**	**475,457**	**25,766**	**636,743**
Transactions with owners:									
Purchase of shares for share award scheme	–	–	(13,865)	–	–	–	–	–	(13,865)
Equity-settled share award scheme expenses	–	–	–	7,574	–	–	–	–	7,574
Vesting of shares of share award scheme	–	–	6,656	(6,134)	–	–	(522)	–	–
	–	–	(7,209)	1,440	–	–	(522)	–	(6,291)
Profit for the year	–	–	–	–	–	–	133,301	–	133,301
Other comprehensive income	–	–	–	–	–	(136)	–	–	(136)
Total comprehensive income for the year	–	–	–	–	–	(136)	133,301	–	133,165
2021 final dividend approved	–	–	–	–	–	–	(1,138)	(25,766)	(26,904)
2022 final dividend proposed	–	–	–	–	–	–	(27,143)	27,143	–
As at 31 December 2022	**12,340**	**80,650**	**(11,478)**	**3,706**	**44,477**	**(80)**	**579,955**	**27,143**	**736,713**

* The total of these balances of MYR724,373,000 (2021: MYR624,403,000) represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	2022 MYR'000	2021 MYR'000
Cash flows from operating activities		
Profit before taxation	**134,758**	120,574
Adjustments for:		
Amortisation of intangible assets	**3,082**	3,260
Amortisation of leasehold land	**145**	146
Deferred income released	**–**	(1,746)
Depreciation of property, plant and equipment	**5,350**	3,822
Waiver of other payable	**(4,780)**	–
(Gain)/Loss on disposal of property, plant and equipment	**(58)**	1,667
Gain on disposal of interest in an associate	**–**	(641)
Loss from changes in fair value of foreign currency forward contracts	**7,604**	2,090
Gain on disposal of other investments	**(15)**	(101)
Loss/(Gain) from changes in fair value of other investments	**16**	(22)
Interest expenses	**87**	92
Bank interest income	**(5,205)**	(4,479)
Inventory written down – addition	**245**	362
Inventory written down – reversal	**(102)**	(344)
ECL allowance on trade receivables	**1,910**	2,025
Reversal of ECL allowance on trade receivables	**(6,708)**	(1,775)
Provision for warranty	**1,515**	1,256
Reversal of provision for warranty	**(1,256)**	(647)
Share of results of associates	**1,636**	1,485
Equity-settled share award scheme expense	**7,574**	5,597
Unrealised loss/(gain) on foreign exchange	**829**	(4,350)
Operating profit before working capital changes	**146,627**	128,271
Increase in inventories	**(99,071)**	(38,188)
Increase in trade and other receivables	**(61,853)**	(29,482)
Increase in trade and other payables	**41,870**	16,028
Increase in contract liabilities	**36,429**	48,681
Net change in a fellow subsidiary's balance	**196**	(23)
Cash generated from operations	**64,198**	125,287
Interest paid	**(87)**	(92)
Tax paid	**(4,410)**	(4,480)
Tax refunded	**246**	881
Net cash from operating activities	**59,947**	121,596

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2022

	Note	**2022** **MYR'000**	2021 MYR'000
Cash flows from investing activities			
Bank interest received		**5,205**	4,479
Purchase of intangible assets		**(4,106)**	(5,831)
Purchase of property, plant and equipment		**(40,562)**	(9,290)
Purchase of leasehold land		**–**	(28,280)
Proceeds from disposal of property, plant and equipment		**58**	–
Proceeds from disposal of other investments		**292**	1,166
Acquisition of other investments		**(127)**	(741)
Proceeds from disposal of interest in an associate		**–**	66
Acquisition of redeemable convertible preference shares of an associate		**–**	(15,000)
Investment in an associate		**–**	(33)
Net cash used in investing activities		**(39,240)**	(53,464)
Cash flows from financing activities			
Advance from/(Repayment to) ultimate holding company		**14**	(20)
Repayment of bank borrowing		**(2,565)**	(411)
Dividends paid to owners of the Company		**(26,904)**	(16,998)
Purchase of share for share award scheme	*16*	**(13,865)**	(2,201)
Net cash used in financing activities		**(43,320)**	(19,630)
Net (decrease)/increase in cash and cash equivalents		**(22,613)**	48,502
Cash and cash equivalents at the beginning of the year		**349,959**	300,280
Effect of foreign exchange rate changes		**1,282**	1,177
Cash and cash equivalents at the end of the year		**328,628**	349,959

1. GENERAL INFORMATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

In the current year, the Group has applied for the first time the following amended IFRSs issued by the IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial assets, other investments in equity securities and investment in redeemable convertible preference shares which are stated at fair values.

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

(c) Issued but not yet effective IFRSs

At the date of this announcement, the following new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective date not yet determined

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning on or after the effective date of the pronouncement. The new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

The Group has two operating segments which are involved in different activities and are managed by segment managers who report directly to the Group's executive Directors. The operating segments are as follows:

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

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

Investment holding and other activities are not considered as operating segment and the related financial information has been included under "Adjustment".

The Group's executive Directors monitor the performance of the operating segments through regular discussions held with the segment managers and review of internal management reports. The performance of each operating segment is evaluated based on the segment's profit or loss.

3. SEGMENT INFORMATION (Continued)

Results for the year ended 31 December 2022

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Total MYR'000
Year ended 31 December 2022				
Revenue				
External customers	420,716	179,871		600,587
Inter-segment revenue	83,471	5,068	(88,539)	–
Total revenue	504,187	184,939		600,587
Results				
Segment results	96,832	48,926	(14,482)	131,276
Interest income	4,787	416	2	5,205
Interest expense	(87)	–		(87)
Share of results of associates	–	–	(1,636)	(1,636)
Profit before taxation	101,532	49,342		134,758
Taxation	(1,894)	(100)	537	(1,457)
Profit for the year	99,638	49,242		133,301

3. SEGMENT INFORMATION (Continued)

Results for the year ended 31 December 2021

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Total MYR'000
Year ended 31 December 2021				
Revenue				
External customers	356,327	151,759		508,086
Inter-segment revenue	2,060	3,542	(5,602)	–
Total revenue	358,387	155,301		508,086
Results				
Segment results	95,459	25,826	(3,613)	117,672
Interest income	4,266	197	16	4,479
Interest expense	(92)	–		(92)
Share of results of associates	–	–	(1,485)	(1,485)
Profit before taxation	99,633	26,023		120,574
Taxation	(4,331)	(37)	538	(3,830)
Profit for the year	95,302	25,986		116,744

3. SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers are divided into the following geographical areas:

	2022	2021
	MYR'000	MYR'000
China	**202,487**	148,180
Malaysia (domicile)	**139,990**	62,948
United States	**61,641**	45,610
Vietnam	**40,282**	8,375
Singapore	**34,955**	36,963
Belize	**34,621**	–
Japan	**28,712**	80,349
Taiwan	**24,251**	83,275
Republic of Ireland	**10,811**	18,371
India	**6,180**	2,326
Others	**16,657**	21,689
	600,587	508,086

4. REVENUE

4.1 Revenue

The Group's revenue from external customers recognised during the year is as follows:

	2022	2021
	MYR'000	MYR'000
Invoiced value of goods sold less returns and discounts	**588,377**	494,332
Service rendered	**12,210**	13,754
	600,587	508,086

4. REVENUE (Continued)

4.2 Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods and services at a point in time in the following operating segments:

	2022	2021
	MYR'000	MYR'000
ATE		
– Automotive	**245,634**	98,218
– Semiconductor	**83,622**	71,081
– Electro-Optical	**79,793**	176,983
– Medical devices	**10,013**	–
– Consumer and industrial products	**1,654**	10,045
	420,716	356,327
FAS		
– Medical devices	**74,568**	29,293
– Consumer and industrial products	**58,086**	68,910
– Electro-Optical	**37,616**	46,084
– Automotive	**9,222**	6,104
– Semiconductor	**379**	1,368
	179,871	151,759
	600,587	508,086
Timing of revenue recognition		
– At a point in time	**600,587**	508,086

5. OTHER INCOME

	2022	2021
	MYR'000	MYR'000
Bank interest income	**5,205**	4,479
Deferred income released	**–**	1,746
Net gain on foreign exchange	**–**	7,441
Waiver of other payable (Note 13(i))	**4,780**	–
Gain on disposal of interest in an associate	**–**	641
Gain on disposal of other investments	**15**	101
Gain on disposal of property, plant and equipment	**58**	–
Gain from changes in fair value of other investments	**–**	22
Government subsidies	**479**	564
Rental income	**90**	54
Others	**775**	139
	11,402	15,187

6. PROFIT BEFORE TAXATION

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

	2022	2021
	MYR'000	MYR'000
Amortisation of intangible assets	**3,082**	3,260
Amortisation of leasehold land	**145**	146
Auditor's remuneration	**778**	509
Deferred income released	**–**	(1,746)
Depreciation of property, plant and equipment	**5,350**	3,822
ECL allowance on trade receivables:		
– addition	**1,910**	2,025
– reversal	**(6,708)**	(1,775)
Loss from changes in fair value of foreign currency forward contracts	**7,604**	2,090
Gain on disposal of interest in an associate	**–**	(641)
Gain on disposal of other investments	**(15)**	(101)
(Gain)/Loss on disposal of property, plant and equipment	**(58)**	1,667
Loss/(Gain) from changes in fair value of other investments	**16**	(22)
Inventories written down to net realisable value:		
– addition	**245**	362
– reversal	**(102)**	(344)
Net loss/(gain) on foreign exchange	**756**	(7,441)
Lease charges of short term leases:		
– Factory	**126**	101
– Hostel	**352**	762
– Office	**242**	133
Provision for warranty:		
– addition	**1,515**	1,256
– reversal	**(1,256)**	(647)
Waiver of other payable	**(4,780)**	–

7. TAXATION

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

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

Malaysian income tax has been provided at the statutory tax rate of 24% for the year ended 31 December 2022 (2021: 24%) on the estimated chargeable income arising in Malaysia.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for the year ended 31 December 2022 (2021: 25%).

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax for the years ended 31 December 2022 and 2021.

	2022	2021
	MYR'000	MYR'000
Malaysian income tax		
Current tax	**(3,071)**	(4,779)
Over provision in prior years	**2,681**	215
	(390)	(4,564)
Overseas income tax		
Current tax	**(1,391)**	(25)
Deferred tax		
Current year	**324**	759
	(1,457)	(3,830)

8. DIVIDENDS

(a) Dividends attributable to the year:

	2022 MYR'000	2021 MYR'000
Proposed final dividend of HK$0.02 per ordinary share (2021: HK$0.02 per ordinary share)	**27,143**	25,766

The final dividend proposed after the reporting date has not been recognised as a liability at the end of reporting period, but reflected as an appropriation of retained profits for the year ended 31 December 2022.

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

	2022 MYR'000	2021 MYR'000
Final dividend in respect of the previous financial year, of HK$0.02 per ordinary share (2021: HK$0.02)	**26,904**	16,998

9. EARNINGS PER SHARE

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

(a) Basic earnings per share attributable to owners of the Company

	2022	2021
Earnings		
Profit for the year attributable to owners of the Company (MYR'000)	**133,301**	116,744
Number of shares		
Adjusted weighted average number of shares in issue	**2,385,218,986**	2,395,611,739
Basic earnings per share (Sen)	**5.59**	4.87

For the year ended 31 December 2021, the adjusted weighted average number of shares in issue used in the above calculation of basic earnings per share for has been adjusted to reflect the bonus issue of shares during the year (note 15) less shares held for Share Award Scheme.

For the year ended 31 December 2022, the number of shares used in the calculation of basic earnings per share include the weighted average number of shares in issue less shares held for Share Award Scheme.

9. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share attributable to owners of the Company

	2022	2021
Earnings		
Profit for the year attributable to owners of the Company (MYR'000)	**133,301**	116,744
Number of shares		
Adjusted weighted average number of shares in issue	**2,385,218,986**	2,395,611,739
Effect of shares awarded under Share Award Scheme	**4,959,147**	3,563,303
Adjusted weighted average number of shares in issue for the purpose of calculating diluted earnings per share	**2,390,178,133**	2,399,175,042
Diluted earnings per share (Sen)	**5.58**	4.87

10. TRADE RECEIVABLES

	2022	2021
	MYR'000	MYR'000
Trade receivables	**241,223**	172,138
Less: ECL allowance	**(3,297)**	(8,095)
	237,926	164,043

10. TRADE RECEIVABLES (Continued)

The normal credit terms granted to trade receivables range from 0 to 120 days. Based on the invoice date, the ageing analysis of the trade receivables, net of ECL allowance, was as follows:

	2022 MYR'000	2021 MYR'000
0-30 days	**81,627**	52,815
31-60 days	**8,115**	23,410
61-90 days	**2,761**	2,155
91-180 days	**77,335**	45,309
181-270 days	**40,065**	23,384
Over 270 days	**28,023**	16,970
	237,926	164,043

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

	2022 MYR'000	2021 MYR'000
Balance at the beginning of the year	**8,095**	9,161
Amount written off during the year	**–**	(1,316)
ECL allowance recognised during the year	**1,910**	2,025
ECL allowance reversed during the year	**(6,708)**	(1,775)
Balance at the end of the year	**3,297**	8,095

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	MYR'000	MYR'000
Other receivables	**261**	–
Refundable deposits	**1,865**	34,146
Non-refundable deposits (note (i))	**27,680**	5,678
Prepayments	**610**	489
VAT receivable	**95**	429
	30,511	40,742
Less: non-current portion		
Deposits (note (ii))	**–**	(28,225)
Current portion	**30,511**	12,517

Notes:

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

(ii) During the year ended 31 December 2021, construction in progress in property, plant and equipment of MYR17,751,000 was transferred to the investment deposits. The investment deposits were for a potential investment in a manufacturing company in Taiwan. On 6 May 2022, pursuant to the Assignment Agreement entered into between the Company, Pentamaster Innoteq Sdn. Bhd. ("PISB"), a fellow subsidiary of the Group, and the Taiwan manufacturing company, all the rights and obligations of the Company in the investment deposits of approximately US$6,777,000 (equivalent to MYR28,225,000) were assigned to PISB at approximately US$6,777,000.

12. TRADE PAYABLES

The normal credit terms granted by trade payables range from 30 to 180 days (2021: 30 to 180 days). Based on the invoice dates, the ageing analysis of trade payables was as follows:

	2022	2021
	MYR'000	MYR'000
0-30 days	67,936	49,222
31-60 days	45,565	19,332
61-90 days	4,237	1,979
91-120 days	557	2,618
Over 120 days	3,233	4,402
	121,528	77,553

Included in trade payables were amounts due to the Group's associate of MYR371,000 (2021: MYR162,000). The outstanding balances were trading in nature and had credit period of 90 days (2021: 90 days).

13. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	2022	2021
	MYR'000	MYR'000
Other payables	5,918	3,964
Amounts due to former shareholders of a subsidiary (note (i))	–	4,780
Consideration payables related to acquisition of a subsidiary (note (ii))	2,123	11,393
Accruals	21,583	17,431
Provision for warranty	1,515	1,256
	31,139	38,824

Notes:

(i) As at 31 December 2021, the amounts due to former shareholders of a subsidiary, TP Concept Sdn. Bhd. ("TP Concept") are unsecured, interest free and repayable on demand. The carrying amounts of the amounts due are considered reasonable approximation of their fair values. During the year ended 31 December 2022, the Company has reached an agreement with former shareholders to waive all the remaining liabilities.

(ii) The consideration payable referred to the balance amount of the consideration payable to the outgoing vendors of a subsidiary, TP Concept acquired in 2019. The consideration payable is subject to achieving certain performance milestones of the subsidiary. During the year ended 31 December 2022, the performance milestones were achieved and become final, and the Company was liable to pay the former shareholders of the consideration payables. During the year, an amount of MYR9,000,000 was settled to former shareholders and the remaining balances will be paid subsequently to the year ended 31 December 2022.

14. CONTRACT LIABILITIES

	2022	2021
	MYR'000	MYR'000
Contract liabilities arising from receiving deposits of manufacturing orders	**100,581**	64,152

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

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

15. SHARE CAPITAL

	2022		2021	
	Number of shares	**MYR'000**	Number of shares	MYR'000
Authorised:				
Ordinary shares of HK$0.01 each	**5,000,000,000**	**26,052**	5,000,000,000	26,052
Issued and fully paid:				
As at 1 January	**2,400,000,000**	**12,340**	1,600,000,000	8,054
Bonus issue (note)	**–**	**–**	800,000,000	4,286
As at 31 December	**2,400,000,000**	**12,340**	2,400,000,000	12,340

15. SHARE CAPITAL (Continued)

Note:

Pursuant to an ordinary resolution passed on 16 March 2021, the issued share capital of the Company was increased by the capitalisation of share premium of MYR4,286,000 as bonus shares, in the proportion of one for every two shares held by the shareholders of the Company on the record date of 22 June 2021. Such shares rank pari passu in all respects with the existing shares of the Company.

16. SHARE AWARD SCHEME

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

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

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

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

During the year ended 31 December 2022, a sum of approximately HK$25.6 million (equivalent to approximately MYR13.9 million) (2021: HK$4.1 million (equivalent to approximately MYR2.2 million)) has been used to acquire 24,618,000 (2021: 3,110,000) shares from the open market by the trustee of the Scheme.

16. SHARE AWARD SCHEME (Continued)

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 HK$0.92 (2021: HK$1.70) on the day of the grant, and amounted to HK$16.6 million (equivalent to approximately MYR9.3 million) (2021: HK$19.4 million (equivalent to approximately MYR10.1 million)) in total. Together with the granted shares in 2021, the Group recognised a Share Award Scheme expense of HK$13.4 million equivalent to approximately MYR7.6 million (2021: HK$10.5 million (equivalent to approximately MYR5.6 million)) 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 HK$13.0 million (2021: HK$7.3 million) (equivalent to approximately MYR6.7 million (2021: MYR3.8 million)) and HK$11.4 million (2021: HK$6.4 million) (equivalent to approximately MYR6.1 million (2021: MYR3.3 million)) respectively. The difference of MYR522,000 (2021: MYR450,000) was charged to retained profits. As at 31 December 2022, the carrying amount of Shares held for Share Award Scheme was HK$20.2 million (2021: HK$8.3 million) (equivalent to approximately MYR11.5 million (2021: MYR4.3 million)).

MANAGEMENT DISCUSSION AND ANALYSIS

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 MYR600 million for the first time, chalking a new revenue record.

For financial year ended 2022, the Group reported MYR600.6 million revenue, which represented a double-digit growth of 18.2% 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 MYR56.9 million. In tandem with the record revenue, the profit after taxation of the Group stood at MYR133.3 million, which was also a new record after topping its previous record of MYR131.4 million attained in 2019, registering an improvement of 14.2% 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 silicon carbide ("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.

After witnessing a decline in revenue contribution last year, the medical device 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 (intravenous catheter) 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 sectors 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 Sdn. Bhd., 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 intelligent Automated Robotic Manufacturing System ("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.

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

By industry

For the year ended 31 December

	2022		2021	
	MYR'000	**%**	MYR'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	14.3
Consumer and industrial products	**59,740**	**10.0**	78,955	15.5
	600,587	**100.0**	508,086	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	
	MYR'000	**%**	MYR'000	%
China	**271,431**	**45.2**	171,829	33.8
Malaysia	**180,089**	**30.0**	76,759	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**	508,086	100.0

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 MYR600.6 million, which was 18.2% 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
	MYR'000	MYR'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	

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 MYR420.7 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.

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. Since the listing of the Company, 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 MYR179.9 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 30.9% as opposed to 30.5% 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 MYR11.4 million during the year as compared to MYR15.2 million in 2021. The amount recorded in 2022 was mainly contributed by bank interest income of MYR5.2 million and miscellaneous income of MYR1.3 million. There was also a waiver of other payable amounting to MYR4.8 million during the year.

In 2021, there were elements of gain on foreign exchange of approximately MYR7.4 million. Such gain on foreign exchange was offset by a loss from changes in fair value of foreign currency forward contracts of MYR2.1 million under the Group's administrative expenses, resulting in a net gain on foreign exchange of MYR5.3 million in 2021. There were no such element of foreign exchange captured under other income during the year.

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 MYR18.1 million from MYR37.0 million in 2021 to MYR55.1 million. This was mainly due to the following factors:

(i) loss on foreign exchange of MYR0.8 million and loss from changes in fair value of foreign currency forward contracts of MYR7.6 million during the year as compared to the loss from changes in fair value of foreign currency forward contracts of MYR2.1 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 MYR during the year has resulted in the derivative loss arising from the forward contracts committed by the Group;

(ii) higher administrative staff cost of MYR28.4 million during the year (2021: MYR23.7 million) due to the increase in staff incentive and employee benefit expenses of MYR7.5 million;

(iii) Incurrence of the research and development cost of Pentamaster MediQ Sdn. Bhd. in respect of its single-use medical devices amounting to MYR5.5 million which was previously capitalised; and

(iv) higher professional fee of MYR0.6 million and higher upkeep and maintenance cost in computer of MYR0.7 million with the increase in staff headcount.

Profit for the year

The Group recorded a net profit of MYR133.3 million in 2022, representing an increase of 14.2% as opposed to a net profit of MYR116.7 million achieved in 2021. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for 2022 stood at MYR143.4 million as compared to MYR127.9 million recorded in 2021, representing an increase of 12.1%. Basic earnings per share rose from 4.87 sen in 2021 to 5.59 sen in 2022.

Liquidity, financial resources and capital structure

The Group continued to maintain a healthy working capital of MYR510.3 million as at 31 December 2022 (31 December 2021: MYR416.6 million). Net cash from operations generated by the Group during the year was MYR59.9 million as compared to MYR121.6 million in the previous year. Cash and cash equivalents stood at MYR328.6 million as at 31 December 2022 as compared to MYR350.0 million in 2021. As at 31 December 2022, the Group's available banking facilities remained at MYR19.5 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.

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.

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.

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.

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 782 (31 December 2021: 689).

FINAL DIVIDEND

The Company has adopted a sustainable dividend policy, a copy of which was published on the Company's website on 27 February 2019. The Board, after considering the mid-to-short term working capital needs and cash on hand, recommends the payment of a final dividend of HK$0.02 (2021: HK$0.02) per share for the financial year ended 31 December 2022 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM"). The proposed final dividend is expected to be paid to the shareholders of the Company on Friday, 7 July 2023.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 19 January 2018 at the offer price of HK$1.00 per share ("Listing"). The proceeds (net of listing expenses) from the Listing were approximately HK$171.3 million (equivalent to approximately MYR92.6 million). In accordance with the proposed use of net proceeds as set out in the section headed "Future plans and use of proceeds" in the Prospectus, the net proceeds utilised by the Group from the date of the Company's listing on 19 January 2018 (the "Listing Date") up to 31 December 2022 are as follows:

Use of net proceeds	Amount of net proceeds earmarked		Use of proceeds from the Listing Date up to 31 December 2022	Unutilised amount as at 1 January 2022	Unutilised amount as at 31 December 2022	Unutilised proportion as at 31 December 2022	
	HK$ million	MYR million	MYR million	MYR million	MYR million	%	
Capital investment and costs in relation to the new production plant and the expansion of the existing production plant	84.8	45.8	45.8	–	–	–	
Business expansion into the Greater China region	38.1	20.6	20.6	–	–	–	
Establishment of an office in California, U.S.	28.2	15.3	11.5	6.5	3.8	24.8	Note
Marketing, branding and promotional activities	3.1	1.7	1.7	–	–	–	
Working capital	17.1	9.2	9.2	–	–	–	
Total	**171.3**	**92.6**	**88.8**	**6.5**	**3.8**	**4.1**	

Note: Out of the unutilised amount of MYR3.8 million as at 31 December 2022, a further amount of MYR0.5 million had been utilised as at the date of this announcement. Taking into consideration the current monthly expenditure of the office in California, the Board has resolved to extend the timeline of the remaining unutilised amount for an additional 24 months up to 18 January 2025.

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

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the year and up to the date of this announcement. Other than disclosed below, the Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The CG code provision C.2.1 requires that the roles of chairman and chief executive be separated and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who manage the business. As mentioned in the interim report of the Company for the six months ended 30 June 2022 published on 9 September 2022 (the "Interim Report"), the Company currently has not appointed any chief executive. The day-to-day management of business has been properly delegated to different individuals by the Board. For further details, please refer to the section headed "Corporate Governance" in the Interim Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that the trustee of the Scheme, pursuant to the terms of the rules and trust deed of the Scheme, purchased on the Stock Exchange a total of 24,618,000 Shares at a total consideration of approximately HKD25.6 million (equivalent to approximately MYR13.9 million) during the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Tuesday, 30 May 2023. Notice of AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 23 May 2023.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Thursday, 8 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 6 June 2023.

IMPORTANT DETAILS AFTER END OF 2022

Save as disclosed elsewhere in this announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct for securities transactions of the Directors (the "Securities Dealing Code"). Specific enquiries have been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code during the year and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 19 December 2017 in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of two independent non-executive Directors namely Mr. Sim Seng Loong @ Tai Seng (being the chairman of the Audit Committee who has a professional qualification in accountancy) and Ms. Chan May May and one non-executive Director namely Mr. Leng Kean Yong. The Audit Committee is accountable to the Board and the primary duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the financial statements with the management of the Company and the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), including the accounting principles and policies, the financial information and the annual results announcement of the Company for the year ended 31 December 2022.

SCOPE OF WORK OF THE AUDITOR

The figures as set out in the preliminary announcement in respect of the Group's results for the year ended 31 December 2022 have been agreed by the Auditor, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the website of the Stock Exchange *(www.hkexnews.hk)* and the website of the Company *(www.pentamaster.com.my)* respectively. The annual report for the year ended 31 December 2022 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

By order of the Board
Pentamaster International Limited
Chuah Choon Bin
Chairman and Executive Director

Malaysia, 23 February 2023

As at the date of this announcement, the Board comprises Mr. Chuah Choon Bin and Ms. Gan Pei Joo as executive Directors; Mr. Leng Kean Yong as non-executive Director; and Ms. Chan May May, Dr. Chuah Jin Chong and Mr. Sim Seng Loong @ Tai Seng as independent non-executive Directors.