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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 2023 AND PROPOSED ADOPTION OF AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

ANNUAL RESULTS

The board (the "Board") of directors (the "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 2023 ("FY2023"), together with the comparative figures for the year ended 31 December 2022 ("FY2022") *(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 2022 annual report of the Company ("Annual Report").

FINANCIAL HIGHLIGHTS

For the year ended 31 December	**2023**	2022
	MYR'000	MYR'000
Revenue	**691,850**	600,587
Gross profit	**209,644**	185,452
Profit for the year	**142,233**	133,301
Earnings per share (sen)		
Basic	**5.97**	5.59
Diluted	**5.96**	5.58

- Revenue of the Group was MYR691.9 million, representing an increase of 15.2% over the preceding year.
- Profit for the year stood at MYR142.2 million, representing an increase of 6.7% over the preceding year.
- Cash and cash equivalents of MYR395.8 million as at 31 December 2023 against MYR328.6 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 2023 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 2023

	Notes	Individual Quarter 3 Months Ended		Cumulative Year Financial Year Ended	
		31/12/2023	31/12/2022	**31/12/2023**	31/12/2022
		MYR'000	MYR'000	**MYR'000**	MYR'000
Revenue	*4*	**169,014**	147,659	**691,850**	600,587
Cost of sales		**(115,046)**	(102,541)	**(482,206)**	(415,135)
Gross profit		**53,968**	45,118	**209,644**	185,452
Other income	*5*	**8,709**	19,602	**17,917**	11,402
Distribution costs		**(2,032)**	(2,181)	**(9,254)**	(9,965)
Administrative expenses		**(28,688)**	(28,851)	**(76,208)**	(55,120)
Reversal of expected credit loss ("ECL") allowance on trade receivables, net		**328**	4,492	**1,141**	4,798
Other operating expenses		**(54)**	137	**(174)**	(86)
Operating profit		**32,231**	38,317	**143,066**	136,481
Finance costs		**–**	(27)	**–**	(87)
Share of results of associates		**(42)**	(771)	**41**	(1,636)
Profit before taxation	*6*	**32,189**	37,519	**143,107**	134,758
Taxation	*7*	**1,669**	(945)	**(874)**	(1,457)
Profit for the period/year		**33,858**	36,574	**142,233**	133,301
Other comprehensive income/(expense)					
Item that will be reclassified subsequently to profit or loss					
Exchange gain/(loss) on translation of financial statements of foreign operations		**66**	(81)	**47**	(136)
Profit and total comprehensive income for the period/year		**33,924**	36,493	**142,280**	133,165
Earnings per share (sen)					
Basic	*9*	**1.42**	1.53	**5.97**	5.59
Diluted	*9*	**1.42**	1.53	**5.96**	5.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	**2023** **MYR'000**	2022 MYR'000
ASSETS			
Non-current assets			
Property, plant and equipment		**247,117**	134,645
Leasehold land		**34,900**	35,320
Deposits paid for acquisition of property, plant and equipment	*11*	**13,612**	–
Goodwill		**4,495**	4,495
Intangible assets		**36,864**	35,653
Interests in associates		**17,578**	20,070
		354,566	230,183
Current assets			
Inventories		**190,608**	170,934
Trade receivables	*10*	**196,289**	237,926
Other receivables, deposits and prepayments	*11*	**15,717**	30,511
Amount due from ultimate holding company		**4**	6
Amount due from fellow subsidiaries		**1,227**	–
Derivative financial assets		**2,384**	489
Other investments		**170**	219
Tax recoverable		**2,279**	2,765
Cash and cash equivalents		**395,797**	328,628
		804,475	771,478
Total assets		**1,159,041**	1,001,661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 31 December 2023

	Notes	**2023** **MYR'000**	2022 MYR'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*15*	**12,340**	12,340
Reserves		**835,632**	724,373
Total equity		**847,972**	736,713
LIABILITIES			
Current liabilities			
Trade payables	*12*	**118,022**	121,528
Other payables, accruals and provisions	*13*	**43,730**	31,139
Contract liabilities	*14*	**137,940**	100,581
Amount due to fellow subsidiaries		**–**	179
Derivative financial liabilities		**1,833**	6,847
Provision for taxation		**57**	912
		301,582	261,186
Non-current liabilities			
Other payables	*13*	**6,717**	–
Deferred income		**620**	–
Deferred tax liabilities		**2,150**	3,762
		9,487	3,762
Total liabilities		**311,069**	264,948
Total equity and liabilities		**1,159,041**	1,001,661

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Share capital MYR'000	Share premium* MYR'000	Shares held for share award scheme* MYR'000	Share award reserve* MYR'000	Statutory 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 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 expense	–	–	–	–	–	–	(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 and 1 January 2023	12,340	80,650	(11,478)	3,706	–	44,477	(80)	579,955	27,143	736,713
Transactions with owners:										
Purchase of shares for share award scheme	–	–	(12,336)	–	–	–	–	–	–	(12,336)
Equity-settled share award scheme expenses	–	–	–	8,872	–	–	–	–	–	8,872
Vesting of shares of share award scheme	–	–	8,891	(8,634)	–	–	–	(257)	–	–
Transfers to statutory reserve	–	–	–	–	454	–	–	(454)	–	–
	–	–	(3,445)	238	454	–	–	(711)	–	(3,464)
Profit for the year	–	–	–	–	–	–	–	142,233	–	142,233
Other comprehensive income	–	–	–	–	–	–	47	–	–	47
Total comprehensive income for the year	–	–	–	–	–	–	47	142,233	–	142,280
2022 final dividend approved	–	–	–	–	–	–	–	(414)	(27,143)	(27,557)
2023 final dividend proposed	–	–	–	–	–	–	–	(29,443)	29,443	–
As at 31 December 2023	12,340	80,650	(14,923)	3,944	454	44,477	(33)	691,620	29,443	847,972

* The total of these balances of MYR835,632,000 (2022: MYR724,373,000) represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	2023 MYR'000	2022 MYR'000
Cash flows from operating activities		
Profit before taxation	**143,107**	134,758
Adjustments for:		
Amortisation of intangible assets	**4,423**	3,082
Amortisation of leasehold land	**420**	145
Depreciation of property, plant and equipment	**10,787**	5,350
Waiver of other payable	**–**	(4,780)
Gain on disposal of property, plant and equipment	**–**	(58)
Loss on disposal of interest in an associate	**26**	–
(Gain)/Loss from changes in fair value of foreign currency forward contracts	**(6,909)**	7,604
Gain on disposal of other investments	**(17)**	(15)
(Gain)/Loss from changes in fair value of other investments	**(12)**	16
Interest expenses	**–**	87
Bank interest income	**(9,967)**	(5,205)
Inventory written down – addition	**869**	245
Inventory written down – reversal	**(214)**	(102)
ECL allowance on trade receivables	**486**	1,910
Reversal of ECL allowance on trade receivables	**(1,627)**	(6,708)
Provision for warranty	**2,499**	1,515
Reversal of provision for warranty	**(1,515)**	(1,256)
Property, plant and equipment written off	**4**	–
Intangible assets written off	**3**	–
Share of results of associates	**(41)**	1,636
Equity-settled share award scheme expenses	**8,872**	7,574
Unrealised loss on foreign exchange	**556**	829
Operating profit before working capital changes	**151,750**	146,627
Increase in inventories	**(20,329)**	(99,071)
Decrease/(Increase) in trade and other receivables	**59,297**	(61,853)
(Decrease)/Increase in trade and other payables	**(9,008)**	41,870
Increase in contract liabilities	**37,359**	36,429
Net change in fellow subsidiary's balance	**(55)**	196
Cash generated from operations	**219,014**	64,198
Government grants received	**620**	–
Interests paid	**–**	(87)
Tax paid	**(3,167)**	(4,410)
Tax refunded	**284**	246
Net cash from operating activities	**216,751**	59,947

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2023

	Note	**2023** **MYR'000**	2022 MYR'000
Cash flows from investing activities			
Bank interest received		**9,967**	5,205
Purchase of intangible assets		**(5,635)**	(4,106)
Purchase of property, plant and equipment		**(102,466)**	(40,562)
Deposits paid for acquisition of property, plant and equipment		**(13,612)**	–
Proceeds from disposal of property, plant and equipment		**–**	58
Proceeds from disposal of other investments		**78**	292
Acquisition of other investments		**–**	(127)
Proceeds from disposal of interest in an associate		**7**	–
Proceeds from redeemable convertible preference shares of an associate		**2,500**	–
Advance to fellow subsidiaries		**(1,351)**	–
Net cash used in investing activities		**(110,512)**	(39,240)
Cash flows from financing activities			
Advance from ultimate holding company		**2**	14
Repayment of bank borrowing		**–**	(2,565)
Dividend paid to owners of the Company		**(27,557)**	(26,904)
Purchase of shares for share award scheme	*16*	**(12,336)**	(13,865)
Net cash used in financing activities		**(39,891)**	(43,320)
Net increase/(decrease) in cash and cash equivalents		**66,348**	(22,613)
Cash and cash equivalents at the beginning of the year		**328,628**	349,959
Effect of foreign exchange rate changes		**821**	1,282
Cash and cash equivalents at the end of the year		**395,797**	328,628

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 Act. 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. MATERIAL 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").

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, 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.

2. MATERIAL ACCOUNTING POLICIES (Continued)

(b) New and amended IFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and 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 2023:

IFRS 17	Insurance Contracts and related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

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

(c) Issued but not yet effective IFRSs

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

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 1 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
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 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 2023

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Total MYR'000
Revenue				
External customers	452,254	239,596		691,850
Inter-segment revenue	538	15,943	(16,481)	–
Total revenue	452,792	255,539		691,850
Results				
Segment results	99,897	52,662	(19,460)	133,099
Interest income	9,102	862	3	9,967
Share of results of associates	–	–	41	41
Profit before taxation	108,999	53,524		143,107
Taxation	(2,363)	1,490	(1)	(874)
Profit for the year	106,636	55,014		142,233

3. SEGMENT INFORMATION (Continued)

Result for the year ended 31 December 2022

	Automated test equipment MYR'000	Factory automation solutions MYR'000	Adjustment MYR'000	Total MYR'000
Revenue				
External customers	420,716	179,871		600,587
Inter-segment revenue	2,963	2,807	(5,770)	–
Total revenue	423,679	182,678		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)

Geographical information

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

	2023	2022
	MYR'000	MYR'000
Malaysia (domicile)	**208,346**	139,990
China	**142,978**	202,487
United States	**102,172**	61,641
Vietnam	**69,362**	40,282
Belize	**55,127**	34,621
Taiwan	**28,081**	24,251
Japan	**23,054**	28,712
Singapore	**22,701**	34,955
Republic of Ireland	**18,007**	10,811
France	**8,614**	–
Others	**13,408**	22,837
	691,850	600,587

4. REVENUE

4.1 Revenue

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

	2023	2022
	MYR'000	MYR'000
Invoiced value of goods sold less returns and discounts	**679,804**	588,377
Service rendered	**12,046**	12,210
	691,850	600,587

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:

	2023	2022
	MYR'000	MYR'000
ATE		
– Automotive	**324,095**	245,634
– Semiconductor	**98,147**	83,622
– Electro-Optical	**28,828**	79,793
– Consumer and industrial products	**1,184**	1,654
– Medical devices	**–**	10,013
	452,254	420,716
FAS		
– Medical devices	**148,197**	74,568
– Consumer and industrial products	**43,968**	58,086
– Electro-Optical	**36,487**	37,616
– Automotive	**5,297**	9,222
– Semiconductor	**5,647**	379
	239,596	179,871
	691,850	600,587
Timing of revenue recognition		
– At a point in time	**691,850**	600,587

5. OTHER INCOME

	2023	2022
	MYR'000	MYR'000
Bank interest income	**9,967**	5,205
Gain from changes in fair value of foreign currency forward contracts	**6,909**	–
Waiver of other payable	**–**	4,780
Gain on disposal of other investments	**17**	15
Gain on disposal of property, plant and equipment	**–**	58
Gain from changes in fair value of other investments	**12**	–
Government subsidies	**725**	479
Rental income	**116**	90
Others	**171**	775
	17,917	11,402

6. PROFIT BEFORE TAXATION

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

	2023 MYR'000	2022 MYR'000
Amortisation of intangible assets	**4,423**	3,082
Amortisation of leasehold land	**420**	145
Auditor's remuneration	**815**	778
Depreciation of property, plant and equipment	**10,787**	5,350
ECL allowance on trade receivables:		
– addition	**486**	1,910
– reversal	**(1,627)**	(6,708)
(Gain)/Loss from changes in fair value of foreign currency forward contracts	**(6,909)**	7,604
Gain on disposal of other investments	**(17)**	(15)
Loss on disposal of interest in an associate	**26**	–
Gain on disposal of property, plant and equipment	**–**	(58)
(Gain)/Loss from changes in fair value of other investments	**(12)**	16
Property, plant and equipment written off	**4**	–
Intangible assets written off	**3**	–
Inventories written down to net realisable value:		
– addition	**869**	245
– reversal	**(214)**	(102)
Net loss on foreign exchange	**18,613**	756
Lease charges of short term leases:		
– Factory	**124**	126
– Hostel	**373**	352
– Office	**317**	242
Provision for warranty:		
– addition	**2,499**	1,515
– reversal	**(1,515)**	(1,256)
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 2023 (2022: 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 2023 (2022: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in relevant jurisdictions.

	2023	2022
	MYR'000	MYR'000
Malaysian income tax		
Current tax	**(2,491)**	(3,071)
Over provision in prior years	**514**	2,681
	(1,977)	(390)
Overseas income tax		
Current tax	**(709)**	(1,391)
Over provision in prior years	**200**	–
	(509)	(1,391)
Deferred tax		
Recognised in profit or loss for the year	**1,612**	324
	(874)	(1,457)

8. DIVIDENDS

(a) Dividends attributable to the year:

	2023	2022
	MYR'000	MYR'000
Proposed final dividend of HK$0.02 per ordinary share (2022: HK$0.02 per ordinary share)	**29,443**	27,143

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 2023.

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

	2023	2022
	MYR'000	MYR'000
Final dividend in respect of the previous financial year, of HK$0.02 per ordinary share (2022: HK$0.02 per ordinary share)	**27,557**	26,904

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

	2023	2022
Earnings		
Profit for the year attributable to owners of the Company (MYR'000)	**142,233**	133,301
Number of shares		
Adjusted weighted average number of shares in issue	**2,384,130,218**	2,385,218,986
Basic earnings per share (sen)	**5.97**	5.59

9. EARNINGS PER SHARE (Continued)

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

For the years ended 31 December 2023 and 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 the Company's share award scheme.

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

	2023	2022
Earnings		
Profit for the year attributable to owners of the Company (MYR'000)	**142,233**	133,301
Number of shares		
Adjusted weighted average number of shares in issue	**2,384,130,218**	2,385,218,986
Effect of shares awarded under the Company's share award scheme	**4,072,410**	4,959,147
Adjusted weighted average number of shares in issue for the purpose of calculating diluted earnings per share	**2,388,202,628**	2,390,178,133
Diluted earnings per share (sen)	**5.96**	5.58

10. TRADE RECEIVABLES

	2023	2022
	MYR'000	MYR'000
Trade receivables	**198,483**	241,223
Less: ECL allowance	**(2,194)**	(3,297)
	196,289	237,926

10. TRADE RECEIVABLES (Continued)

The normal credit terms granted to trade receivables range from 0 to 120 days (2022: 0 to 120 days). Based on the invoice dates, the ageing analysis of the trade receivables, net of ECL allowance, was as follows:

	2023	2022
	MYR'000	MYR'000
0-30 days	**64,493**	81,627
31-60 days	**16,787**	8,115
61-90 days	**20,157**	2,761
91-180 days	**54,577**	77,335
181-270 days	**17,334**	40,065
Over 270 days	**22,941**	28,023
	196,289	237,926

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

	2023	2022
	MYR'000	MYR'000
Balance at the beginning of the year	**3,297**	8,095
ECL allowance recognised during the year	**486**	1,910
ECL allowance reversed during the year	**(1,627)**	(6,708)
Exchange differences	**38**	–
Balance at the end of the year	**2,194**	3,297

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	MYR'000	MYR'000
Other receivables	**325**	261
Refundable deposits	**9,020**	1,865
Non-refundable deposits (note)	**17,889**	27,680
Prepayments	**1,021**	610
Value added tax receivable	**1,074**	95
	29,329	30,511
Less: Non-current portion		
Deposits paid for acquisition of property, plant and equipment	**(13,612)**	–
Current portion	**15,717**	30,511

Note:

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

12. TRADE PAYABLES

The normal credit terms granted by trade payables range from 30 to 180 days (2022: 30 to 180 days). Based on the invoice dates, the ageing analysis of trade payables was as follows:

	2023	2022
	MYR'000	MYR'000
0-30 days	**40,975**	67,936
31-60 days	**23,971**	45,565
61-90 days	**15,977**	4,237
91-120 days	**4,290**	557
Over 120 days	**32,809**	3,233
	118,022	121,528

Included in trade payables were amounts due to the Group's associate of MYR329,000 (2022: MYR371,000). The outstanding balances were trading in nature and had credit period of 90 days (2022: 90 days).

13. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	2023 MYR'000	2022 MYR'000
Other payables	**22,502**	5,918
Consideration payables related to acquisition of a subsidiary (note)	**–**	2,123
Accruals	**25,451**	21,583
Provision for warranty	**2,494**	1,515
	50,447	31,139
Less: Other payables for settlement after 12 months shown under non-current liabilities	**(6,717)**	–
Current portion	**43,730**	31,139

Note:

The consideration payable referred to the balance amount of the consideration payable to the outgoing vendors of a subsidiary, TP Concept Sdn. Bhd. ("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 became final, and the Company was liable to pay the former shareholders of the consideration payables. During the year ended 31 December 2023, an amount of MYR2,123,000 (2022: MYR9,000,000) was settled to former shareholders.

14. CONTRACT LIABILITIES

	2023 MYR'000	2022 MYR'000
Contract liabilities arising from receiving deposits of manufacturing orders	**137,940**	100,581

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

	2023		2022	
	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 and 31 December	**2,400,000,000**	**12,340**	2,400,000,000	12,340

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).

16. SHARE AWARD SCHEME (Continued)

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 2023, a sum of approximately HK$20.9 million (equivalent to approximately MYR12.3 million) (2022: HK$25.6 million (equivalent to approximately MYR13.9 million)) has been used to acquire 20,514,000 (2022: 24,618,000) shares from the open market by the trustee of the Scheme.

The Company granted 16,127,000 (2022: 18,000,000) shares to selected employees on 1 July 2023 (2022: 1 July 2022), 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$0.98 (2022: HK$0.92) on the day of the grant, and amounted to HK$15.8 million (equivalent to approximately MYR9.4 million) (2022: HK$16.6 million (equivalent to approximately MYR9.3 million)) in total. Together with the granted shares in prior years, the Group recognised a Share Award Scheme expense of HK$15.4 million (equivalent to approximately MYR8.9 million) (2022: HK$13.4 million (equivalent to approximately MYR7.6 million)) during the year ended 31 December 2023.

During the year ended 31 December 2023, a total of 15,511,179 (2022: 11,441,153) awarded shares were vested. The cost and the fair value of the related vested shares were HK$15.8 million (2022: HK$13.0 million) (equivalent to approximately MYR8.9 million (2022: MYR6.7 million)) and HK$15.5 million (2022: HK$11.4 million) (equivalent to approximately MYR8.6 million (2022: MYR6.1 million)) respectively. The difference of MYR257,000 (2022: MYR522,000) was charged to retained profits. As at 31 December 2023, the carrying amount of Shares held for Share Award Scheme was HK$25.9 million (2022: HK$20.2 million) (equivalent to approximately MYR14.9 million (2022: MYR11.5 million)).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2023, businesses continued to face multitude of challenges as global economic landscape continued to remain fragile and volatile. Throughout the year, geopolitical tensions continued to cast a pervasive shadow over international trade and relations, with unresolved conflicts affecting a post COVID-19 recovery in global trades. The Sino-US technology war and the Russian-Ukraine crisis do not seem to abate, leading to an erratic supply chain and rising material prices that have impacted business planning across multiple industries across different regions. This confluence of economic obstacles has hindered an overall global business and economic growth. In the face of these challenges, the Group operated in an environment fraught with uncertainties but at the same time, managed to demonstrate resilience and adaptability despite the adversities.

Facing such instability, the Group was thankful in delivering another set of sustainable financial performance given the macro situation. During the financial year under review, the Group managed to record MYR691.9 million in revenue, which represented an increase of 15.2% from the preceding year's revenue of MYR600.6 million. Since 2020 with the impact of COVID-19, the Group has continued to recover back to its trajectory growth path and it is worth noting that the 2023 revenue has set another record milestone for the Group. This marked the third consecutive year of the Group in achieving a double-digit revenue growth notwithstanding the arduous global trade landscape. During the year, revenue growth for the Group was driven by both the ATE and FAS segments, with each segment contributing approximately 65.4% and 34.6% respectively to the Group. The Group also reported a profit after taxation of MYR142.2 million for FY2023, a new record that surpassed the previous record of MYR133.3 million achieved in 2022, representing an improvement of 6.7% year-on-year. These financial matrix and performance signified the Group's commendable financial strength and resilience as it remains committed with its business strategies and goal plans.

During the financial year under review, the Group continued to experience year-on-year revenue growth across most of its business segments. In particular, the automotive and medical devices segments posted continuous positive momentum, with both segments registering double-digit growth rate. Such results signified the strategic focus by the Group in these two sectors over the past few years, with the aim to broaden its market exposure and capitalise on high-growth opportunities. Similarly, the semiconductor industry within the Group also demonstrated double-digit revenue growth, albeit the overall headwinds faced by the technology sector in 2023. On the other hand. the Group's electro-optical segment and consumer and industrial products segment contracted 44.4% and 24.4% respectively in 2023 as compared to the previous year.

During the year and consecutively for two years, the Group's automotive segment remained robust with its highest contribution to the Group's overall revenue, at approximately 47.6%. This represented a double-digit revenue growth rate of 29.2% as compared to 2022. Structurally, the demand for carbon emission free vehicles is rapidly gaining the attention of global economies with multiple government incentives, subsidies and tax benefits driving the overall sales growth for e-mobility. It has been forecasted that the global electric mobility market size is projected to grow to US$1,507 billion in 2028, representing a Compound Annual Growth Rate ("CAGR") of 27.0% in the 2021-2028 period. This subsequently drive the demand and capital expenditure for the device and equipment markets supporting the overall electric vehicles ("EVs") market, with forecast for such capital expenditure estimated at 27.0% CAGR till 2030. With the Group's comprehensive end-to-end suite of automotive test solutions, such market dynamics has propelled this segment's revenue contribution to the Group. During the financial year under review, demand for the Group's automotive test solutions from China stood at 33.7%, followed by the United States (24.2%), Vietnam (21.0%), Malaysia (9.9%), Europe (4.4%) and Japan (3.1%).

For the Group's medical devices segment, it continued to show great potential during the year. Contribution from this business segment increased impressively from 14.1% in 2022 to 21.4% of the overall Group's revenue, reflecting a remarkable year-on-year growth of 75.2%. Such significant jump was predominantly contributed by the demand for medical technology ("MedTech") application for better productivity and efficiency, leveraging on the Group's proprietary intelligent Automated Robotic Manufacturing System ("i-ARMS") in medical manufacturing automation. With the global medical automation market estimated to grow at a CAGR of 7.8% for the 2023-2033 period, this business segment has tremendous market opportunities for the Group to further position itself for a potentially multibillion-dollar market size.

Besides medical manufacturing automation, the Group is heartened to witness a significant milestone in its single-use medical devices during the year. Having secured both the ISO13485 certification and the medical device registration certificate from the Malaysian Medical Device Authority ("MDA") for its intravenous catheter ("IVC"), the Group, through its subsidiary company, Pentamaster MediQ Sdn. Bhd. ("PDSB") has formally submitted its IVC application to the Notified Body for CE Mark registration where the product review has commenced in September 2023. PDSB aims to achieve CE mark registration by the end of 2024 as such certification will serve as an important platform for the Group to penetrate its IVC into the European and Middle East regions. Meanwhile, with the MDA in place, PDSB is currently validating the manufacturing process of its IVC for product distribution in Malaysia with the subsequent plan to expand its product coverage into the broader ASEAN market.

In the semiconductor segment, the Group has continued to witness sustainable growth trend post COVID-19 with a year-on-year increase of 23.6% as compared to the previous year. Revenue contribution from this segment rose slightly to 15.0% of the Group's total revenue from 14.0% achieved in the preceding year. While the Group anticipated a "normalisation" for this segment post the pandemic, the surge in digital technology advancements, especially Artificial Intelligence ("AI") had fundamentally reshaped the landscape of the test handling market, driving an uptick in demand for test handling equipment. Excluding the memory for consumer electronics, global semiconductor chip for automotive and industrials such as data centers are still facing supply constraints. This has effectively allowed the Group to continue to maintain its growth in this segment, and to further capitalise any opportunities in the fifth generation higher performing, ultra speed semiconductor requirements.

Meanwhile, the Group's electro-optical segment contributed approximately 9.5% towards the Group's total revenue during the year, marking a significant decline from 19.5% recorded in the previous year. Amidst a sluggish global economic recovery and a climate of high interest rates and inflation, the demand for consumer electronics and smartphone remained subdued. In 2023, smartphone shipments totalled 1.14 billion, a 4.0% decline vis-à-vis 2022 according to Canalys. The overall industry headwinds faced by this segment led to a subdued demand for the Group's smart device test solutions during the year. Looking ahead, the Group does not foresee a robust recovery from this segment to occur anytime soon given the current absence of significant technology upgrades in smartphone technology. While AI smartphone will be inescapable coming into year 2024, the mass adoption and ownership are still at its infancy stage and with the Group's holistic test solution and its experience, the Group will be well positioned to capture any significant structural growth for this business segment going forward.

The Group's consumer and industrial products segment also witnessed a decline in share of wallet contribution to the Group's revenue, declining from 10.0% in 2022 to 6.5% for the year. The overall sentiment of this segment remained fairly muted with a prevailing sense of caution among manufacturing companies and contract manufacturers, with prudent capital expenditure ("capex") or deferment of it. However, the Group remains engaged with its existing customers within this segment to ensure the needs and requirements of the customers are met for the next capex cycle uptick upon condition improvement.

Overall, the Group has demonstrated its business sustainability against the backdrop of yet another tumultuous year in 2023. The significance of the Group's financial achievements throughout the year extended beyond a simple rebound as it reflected the Group's focus on its business fundamentals, effective resource allocation, cost optimisation and strategic planning that revolved around diversification across products, segments and geographical footprint. It is heartening to see how the Group experienced a remarkable CAGR exceeding 20.0% for both its top-line and bottom-line performance over the past five years owing to the Group's fundamentals in place and its strategic business initiatives that have been put in action.

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

	2023		2022	
	MYR'000	**%**	MYR'000	%
Automotive	**329,392**	**47.6**	254,856	42.4
Medical devices	**148,197**	**21.4**	84,581	14.1
Semiconductor	**103,794**	**15.0**	84,001	14.0
Electro-Optical	**65,315**	**9.5**	117,409	19.5
Consumer and industrial products	**45,152**	**6.5**	59,740	10.0
	691,850	**100.0**	600,587	100.0

During the year, majority of the Group's revenue was contributed by the top five shipment destinations from Malaysia, China (inclusive of Hong Kong), Vietnam, Taiwan and United States. These key markets collectively accounted for approximately 91.3% of the Group's revenue in 2023 as opposed to the 90.0% contribution from the top five markets in 2022.

By shipment

For the year ended 31 December

	2023		2022	
	MYR'000	**%**	MYR'000	%
Malaysia	**285,780**	**41.3**	180,089	30.0
China	**232,707**	**33.6**	271,431	45.2
Vietnam	**70,920**	**10.3**	40,284	6.7
Taiwan	**26,868**	**3.9**	24,259	4.0
United States	**15,331**	**2.2**	12,018	2.0
Singapore	**15,125**	**2.2**	24,716	4.1
Japan	**13,136**	**1.9**	19,928	3.3
Morocco	**8,614**	**1.2**	–	–
Thailand	**7,641**	**1.1**	6,303	1.1
Philippines	**5,475**	**0.8**	4,898	0.8
Others	**10,253**	**1.5**	16,661	2.8
	691,850	**100.0**	600,587	100.0

FINANCIAL REVIEW

Revenue

Driven by the continuous improved contributions from both its ATE and FAS business segments, 2023 marked another milestone as the Group achieved its third consecutive yearly revenue record. Surpassing the previous benchmark of MYR600.6 million in 2022, revenue during the year continued to surge to MYR691.9 million, representing a double-digit growth of 15.2%. Notably, there was a shift towards a more balanced revenue distribution between the ATE and FAS business segments, with each contributing approximately 65.4% and 34.6% to the total Group's revenue respectively in 2023. This was compared against the 2022 contributions, where the ATE and FAS business segments accounted for 70.1% and 29.9% of the Group's revenue, reflecting the positive outcome of the Group's effort in segmental diversification.

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

	Revenue		
	2023	2022	Fluctuation
	MYR'000	MYR'000	%
ATE			
External customers	**452,254**	420,716	7.5%
Inter-segment revenue	**538**	2,963	
Total revenue	**452,792**	423,679	
FAS			
External customers	**239,596**	179,871	33.2%
Inter-segment revenue	**15,943**	2,807	
Total revenue	**255,539**	182,678	

ATE segment

With a contribution rate of 65.4%, the ATE segment remained the primary revenue driver for the Group. Despite encountering a revenue decline in 2020, the ATE segment rebounded in 2021 and continued to demonstrate consistent year-on-year growth subsequently. During the year, revenue in the ATE segment increased by 7.5% from MYR420.7 million in 2022 to MYR452.3 million in 2023. Of particular significance is the automotive segment with its contribution share of wallet of 71.7% within the ATE revenue segment, representing a year-on-year growth of 31.9% versus last year. The Group's decision to diversify and establish a presence in the automotive segment 5 years ago has proven fruitful with the revenue trajectory of this segment exhibiting a consistent upward trend. With 2023 surpassing the MYR300.0 million milestone, the revenue momentum from the automotive segment has grown by more than sevenfold since the Company's listing.

This year saw the Group's wafer level burn-in tester for Silicon Carbide (SiC) and its back-end assembly and test solutions for the hybrid pack power modules continued to drive growth in the automotive segment. Throughout the year, the Group witnessed significant expansion in its customer base and experienced increasing momentum in engagements with prospective new customers. Moreover, the demand landscape for the Group's product become increasingly favourable as automotive component customers are seen extending their portfolio both upstream and downstream, from front-end process to module level and vice versa. At present, the Group's focus is to continuously improve its product capabilities by making enhancements to its proprietary burn-in test handler for wafer-level and module-level power device with the aim to extend its competitive advantage and capture growing market opportunities within the automotive segment.

Despite the semiconductor industry's inherent cyclicality and competitive landscape, the Group's ATE test solutions seem to be well anchored and supported over the past few years. Since the onset of the pandemic in 2020, revenue from the semiconductor segment has consistently surged at a double-digit rate, primarily fueled by the growth of integrated chips and fifth generation higher performing, ultra speed semiconductor content. With its 21.7% contribution within the ATE segment during the year, revenue from the semiconductor segment grew by 17.4% as compared to 2022. With AI and the advancement of integrated chips capabilities, and the ever-demanding performance reliability and broadening scope of applications, the Group's semiconductor test handling equipment is expected to remain stable.

On the contrary, revenue generated from the electro-optical segment within the ATE segment experienced a decline to 6.4% in 2023, down from 19.0% in 2022, representing a significant downturn of 63.9%. This deceleration was attributed to the notable slowdown and saturation in the global smartphone market stemming from the reduced consumer spending habits to invest in new smartphones given the lack of significant advancements in smartphone technology. While AI smartphone is anticipated to change the industry landscape, it is still in its infancy stage and the Group anticipates subdued performance in the short term from this segment. Nevertheless, the Group remains proactive in its efforts to innovate and develop new prototypes tailored to meet the evolving demands of emerging technologies, particularly those centered around the new magnetometer sensor, optical sensor and pressure sensor technologies.

In general, the ATE industry continues to present promising prospects for the Group, primarily driven by the ongoing technological advancements and the ubiquitous need for more customised and sophisticated test handling and solutions. Furthermore, the Group's comprehensive test solutions in the automotive segment coupled with its established product solution capabilities for the semiconductor segment shall provide a solid foundation for its ATE business, serving as a catalyst for further expansion and growth. Recognising the high-growth potential within the ATE segment, particularly in areas like power electronics semiconductor testing for EVs, the Group is committed to deepening its presence in this particular field.

FAS segment

Following a double-digit revenue growth in year 2022, the strong revenue momentum continued in 2023 with the FAS segment recording MYR239.6 million in 2023 from MYR179.9 million in 2022, a commendable growth rate of 33.2% year-on-year.

During the year, the FAS segment growth was largely propelled by the substantial contributions from the medical devices industry. With its dominance at 61.9% within the FAS segment in 2023 as compared to 41.5% in 2022, the surge from the medical devices industry reflected a striking year-on-year growth of 98.7%. In recent years, the Group has been observing a considerable uptick in demand for its fully automated i-ARMS across various sectors, particularly in the medical industry. Given the pervasive adoption of manufacturing automation within the medical sector, medical manufacturing companies are increasingly focused on optimising their production and assembly processes to enhance throughput and productivity while maintaining consistent quality standards. This growing reliance on automation to drive operational excellence and competitiveness within the medical industry further solidifies the Group's position in providing its i-ARMS for this segment. As it is, the Group has been expanding its customer base within this segment and is actively seeking new opportunities for bigger market share. Besides the medical devices segment, demand for the Group's i-ARMS solutions from the consumer and industrial products segment and electro-optical segment contributed 18.4% and 15.2% respectively to the FAS business segment during the year.

The Group is encouraged by the upward trajectory of the FAS segment from the positive outcome of its strategic efforts in segmental diversification. Capitalising on the prevailing automation trend, the Group is strategically positioning its FAS segment to seize more opportunities, particularly amidst the rising demand for precision automation in the production of cutting-edge medical devices. With this targeted approach, the FAS segment is poised for sustained expansion and is expected to make a substantial contribution to the Group's performance in the coming years.

Gross margin

The Group is heartened to witness a relatively stable and consistent gross margin across all four quarters in 2023, ultimately concluding the year with an overall gross margin of 30.3% as compared to 30.9% in 2022. This marked the 6th consecutive year of the Group sustaining its gross margin above 30.0% since the listing of the Company. This is worth commenting given the various challenges the global economies have faced in the last few years, starting with COVID-19, supply chain disruption, inflationary pressures on material prices and labour costs together with all other factors that were beyond the Group's control. For 2023, the Group recorded a gross profit of MYR209.6 million, representing a double-digit increase of 13.0% from the previous year.

Other income

The Group's other income mainly comprised of the movement arising from foreign exchange, interest income and miscellaneous income. During the year, the amount was mainly contributed by the bank interest income of MYR10.0 million and miscellaneous income of MYR0.9 million as compared to MYR5.2 million and MYR1.3 million recorded respectively in 2022. Additionally, there was a gain of MYR6.9 million from changes in fair value of foreign currency forward contracts ("derivative gain") during the year which was offset by a loss on foreign exchange of MYR18.6 million recorded under the Group's administrative expenses, resulting effectively in a net foreign exchange loss of approximately MYR11.7 million during the year.

In comparison to 2022, there were no elements of foreign exchange captured under other income but there was a one-off waiver of other payable totaling MYR4.8 million recorded under this category.

Administrative expenses

Administrative expenses of the Group mainly comprised of the movement arising from foreign exchange, research and development cost, professional fees, administrative staff cost and certain maintenance cost. During the year, administrative expenses increased by MYR21.1 million from MYR55.1 million in 2022 to MYR76.2 million. This was mainly due to the following factors:

(i) loss on foreign exchange of MYR18.6 million during the year as compared to the total foreign exchange loss of MYR8.4 million in 2022 which arose from the loss from changes in fair value of foreign currency forward contracts ("derivative loss") and loss on foreign exchange. These fluctuations, driven mainly by the movements in the Group's foreign exchange positions, were typically accounted for within the administrative expenses and other income categories as discussed above to ascertain its overall effects. Throughout the year, the Group engaged in several forward contracts, primarily in response to customer orders denominated in U.S. dollars. The aim was to hedge against potential adverse foreign exchange movements that could adversely impact the Group's financials. However, the continuous appreciation of the U.S. dollar against MYR resulted in derivative losses from these forward contracts entered into by the Group;

(ii) higher administrative staff cost of MYR32.0 million during the year (2022: MYR28.4 million) due to salary increment as well as increase in staff incentive and employee benefit expenses;

(iii) incurrence of the research and development cost of the single-use medical devices amounting to MYR10.6 million during the year (2022: MYR5.5 million); and

(iv) higher upkeep of office equipment and maintenance cost in computer by MYR1.4 million with the increase in staff headcount.

Profit for the year

The Group concluded the year with a net profit of MYR142.2 million in 2023, representing an increase of 6.7% as opposed to a net profit of MYR133.3 million achieved in 2022. Accordingly, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) for 2023 stood at MYR158.7 million as compared to MYR143.4 million recorded in 2022, representing an increase of 10.7%. Basic earnings per share rose from 5.59 sen in 2022 to 5.97 sen in 2023.

Liquidity, financial resources and capital structure

During the year, the Group experienced a remarkable surge in its net cash from operations with a record high of MYR216.8 million, marking a significant increase from MYR59.9 million generated in the previous year. With that, the Group's cash and cash equivalents as of 31 December 2023 increased at a double-digit level by 20.4% to MYR395.8 million (2022: MYR328.6 million). The Group has no bank borrowings as at 31 December 2023.

As at 31 December 2023, the Group sustained a healthy working capital of MYR502.9 million, slightly decreased from MYR510.3 million recorded in the same period of 2022. Given its current financial standing, the Group remains committed to vigilantly monitor and manage its day-to-day business operations. As it is, the construction of the Group's campus 3 is internally funded.

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 2023, the Group had no material contingent liabilities.

PROSPECTS

"Every storm runs out of rain, every dark night turns into day"

The embodiment of resilience, adaptability and perseverance was once again demonstrated as the Group adeptly navigated the cyclical nature of business environment, challenges and adversity in 2023. Throughout the year, the persistent global macroeconomic challenges have proven tenacious, with the confluence of mounting interest rates, inflationary pressure and the escalating geopolitical tensions taking center stage in shaping the global economic landscape, rendering the business environment both volatile and challenging. In addition to these challenges, trade policies uncertainties, trade protectionism and tariff disputes between major economies have further complicated the international business environment for companies operating on a global scale. Amidst these macroeconomic concerns, the rapid pace of technological advancements and digital transformation have presented a silver lining. Against this backdrop, the Group proactively adopted a dynamic and forward-thinking approach in prioritising innovation, fostering agility in response to the unrelenting pace of geopolitical complication landscape in a technological developments world, and positioning itself strategically to remain competitive and relevant.

As the Group approaches the year 2024, there is an expectation that the delicate nature of these macroeconomic factors will persist, indicating a sustained vulnerability and fragility in the economic landscape. However, as challenging as it can be and barring any unforeseen circumstances, the Group endeavours to achieve yet another year of continuous business growth with a steadfast focus on high growth segments. Notably, the medical devices segment currently commands the largest share of the Group's current order book and this segment will continue its strong growth momentum in 2024, primarily propelled by the widespread adoption of automation in medical manufacturing. Having consistently led the Group's revenue for two consecutive years, the Group's order book remains fortified by contributions from the automotive segment. This is anchored by the Group's comprehensive range of product solutions within this segment. With the Group holding a robust presence in regions like Europe and the United States, other emerging growth countries like Taiwan and Japan are seen to be the next promising areas poised for growth, particularly in the context of automotive electrification. The Group anticipates that such developments in these markets will yield positive outcome and further contribute to the Group's revenue in its automotive segment. While the Group experiences favourable momentum in both its medical and automotive segments, contributions from its other industry segments remain comparatively modest.

In recent years, the Group has been strategically directing investments towards various facets of MedTech, encompassing automation as well as the design and manufacturing of single-use medical devices. A notable trend in the current market environment is the prominence of MedTech and life sciences where the pervasive influence of technology within the medical industry has instigated a remarkable surge in technological innovation with automation at the forefront of this revolution. The adoption of automation in MedTech is now prevalent, given the intricate nature of the medical device manufacturing process. The inherent need for precision and accuracy in the production of medical devices makes automation a cornerstone for achieving heightened process efficiency and consistency. In tandem with this pronounced trend in the medical industry, the Group is strategically positioned to capitalise on these opportunities through its FAS segment and PDSB by elevating its presence and operational footprint in the medical industry with the aim to propel the growth trajectory of its medical industry to new heights.

The Group's efforts in geographical diversification has proven beneficial against the backdrop of prevailing geopolitical landscape marked by a discernible trend towards deglobalisation and localisation. This current shift involves establishment of new manufacturing facilities and expansion of new ones with the aim to foster greater self-reliance in semiconductor and electronics supply chain. With the Group's recent establishment of its global footprint in Germany in March 2023, the Group is positioned to enhance its presence in Europe to further build its automotive and MedTech segments in this region. The Group's office in Germany currently serves as a hub for research and development activities besides providing technical sales support for better customer engagement. Given Germany's prominent status as a hub for the automotive industry, the Group's expansion is strategically positioned to broaden its customer base for power module semiconductors. Additionally, the Group's Europe presence will also serves its venture into the MedTech field, with specific focus on countries such as the United Kingdom, Poland and Ireland. Currently, contribution from Europe accounts for less than 10% of the total Group's revenue which indicates a substantial growth potential within the region.

Recognising the integral role of sustainability in today's contemporary business practices and in alignment with the Group's dedication in fostering a sustainable environment, the Group will continue to intensify its efforts in advancing its Environmental, Social, and Governance ("ESG") initiatives through the development and implementation of a set of comprehensive action plans. These action plans encompass a diverse range of material areas covering, among others, emissions, climate change, health and safety, employment and labour practices, diversity, supply chain management and overall governance as well as compliance matters. Within this framework, the Group is set to expand its ESG working group, a dedicated team tasked with planning, executing and overseeing all sustainability-related strategies, goals and policies. In essence, the Group aims to mold a sustainable future where responsible business practices are to seamlessly integrate into its day-to-day business operations. Such effort signifies the Group's commitment to not only meeting regulatory requirements but also proactively contributing to a more sustainable and resilient global business environment.

To conclude, the Group maintains a keen awareness of the prevailing economic fragility and is committed to addressing it with a proactive and strategic approach which center on high growth industries. 2024 is another year where the Group remains cautiously optimistic with its focus on seizing opportunities to broaden its revenue streams. In addition to allocating resources to areas with significant potential, the Group will continue to place a strong emphasis on continuous innovation and improvement in its design and operational processes for its products and solutions. With the Group advancing through the second half of its 4-year plan in its "Grand Roadmap & key focus 2022-2025", it is imperative for the Group to expedite the construction of its campus 3. To this end, phase one and phase two featuring the construction of two manufacturing plants, spanning approximately 720,000 sq.ft. are in progress concurrently with a targeted full completion set for the first quarter of 2025. Anticipating the completion of the third plant, the Group aims to mark a significant milestone.

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 2023, the total number of full time employees of the Group increased to 920 (31 December 2022: 782).

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 (2022: HK$0.02) per share for the financial year ended 31 December 2023 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 5 July 2024.

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 2023 are as follows:

Use of net proceeds	**Amount of net proceeds earmarked**		**Use of proceeds from the Listing Date up to 31 December 2023**	**Unutilised amount as at 1 January 2023**	**Unutilised amount as at 31 December 2023**	**Unutilised proportion as at 31 December 2023**	
	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	14.8	3.8	0.5	3.3	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**	**92.1**	**3.8**	**0.5**	**0.5**	

Note: The remaining unutilised amount will be utilised by 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 C1 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 2023 published on 31 August 2023 (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 20,514,000 Shares at a total consideration of approximately HKD20.9 million (equivalent to approximately MYR12.3 million) during the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Thursday, 6 June 2024. 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 Monday, 3 June 2024 to Thursday, 6 June 2024, 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 Friday, 31 May 2024.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 14 June 2024 to Monday, 17 June 2024, 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 Thursday, 13 June 2024.

PROPOSED ADOPTION OF AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

Following the Consultation Conclusions on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023, the Listing Rules have been amended with effect from 31 December 2023 such that, among others, that any “corporate communication” (as defined under the Listing Rules) must, to the extent permitted under all applicable laws and regulations, be satisfied by the listed issuer by (i) sending or otherwise making available the corporate communication to the relevant holders of its securities using electronic means or (ii) making the corporate communication available on its website and the Stock Exchange’s website. Listed issuers must make any necessary amendments to their constitutional documents no later than the first annual general meeting following 31 December 2023 to facilitate their compliance with such requirements. In view of that, the Board of the Company proposes to amend the existing memorandum and articles of association of the Company (the “Proposed Amendments”) in order to facilitate the Company’s compliance with the said electronic communication requirements.

The Proposed Amendments and the adoption of the amended and restated memorandum and articles of association of the Company are subject to the approval of the shareholders of the Company by way of a special resolution at the AGM. A circular containing, among other things, further information regarding the Proposed Amendments and the adoption of the amended and restated memorandum and articles of association of the Company together with the notice of the AGM will be despatched to the shareholders of the Company in due course.

IMPORTANT DETAILS AFTER END OF 2023

Save as disclosed elsewhere in this announcement, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2023 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 2023.

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 2023 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 and consequently no opinion or assurance conclusion 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 2023 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

Hong Kong, 22 February 2024

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.