Genetec Technology BERHAD

(445537 - W)

2018
ANNUAL REPORT

INSIDE THIS ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

HEW VOON FOO
Chairman &
Independent Non-Executive Director

CHIN KEM WENG
Managing Director

TAN MOON TEIK
Executive Director

WONG WAI TZING
Independent Non-Executive Director

TEH KIM SENG
Independent Non-Executive Director

CHEN KHAI VOON
Non-Independent Non-Executive Director

AUDIT COMMITTEE

TEH KIM SENG *(Chairman)*
HEW VOON FOO
WONG WAI TZING
CHEN KHAI VOON

COMPANY SECRETARY

LOW SOOK KUAN
(MAICSA 7047833)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Lot 7, Jalan P10/11, Seksyen 10
Kawasan Perusahaan Bangi
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia
Tel : +603 8926 6388
Fax : +603 8926 9689

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

Office:
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : +603 2783 9299
Fax : +603 2783 9222

Customer Services Centre:
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

AUDITORS

KPMG PLT
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : +603 7721 3388
Fax : +603 7721 3399

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
CIMB Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (ACE Market)
Listed on 7 November 2005
Stock Name : GENETEC
Stock Code : 0104

WEBSITE

www.genetec.net

EMAIL

genetec@genetec.net

CORPORATE STRUCTURE

As at 29 June 2018

Genetec Technology BERHAD (445537-W)

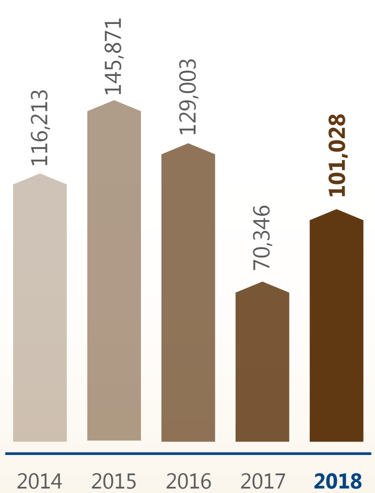
- 51% CLT ENGINEERING SDN BHD
- 100% FAS TECHNOLOGY SOLUTION SDN BHD
- 100% FAS MANUFACTURING SDN BHD
- 100% GENETEC GLOBAL TECHNOLOGIES, INC. *(Incorporated in United States of America)*
    - 60% IP SYSTEMS, INC. *(Incorporated in United States of America)*

FIVE YEARS GROUP FINANCIAL HIGHLIGHTS

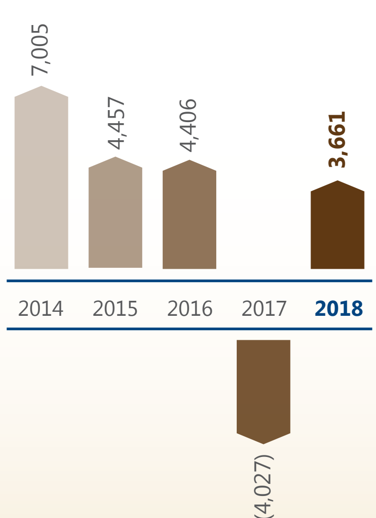
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000 Restated	2018 RM'000
OPERATING RESULTS					
Revenue	116,213	145,871	129,003	70,346	**101,028**
EBITDA/(LBITDA)	4,668	8,960	12,641	133	**9,345**
Profit/(Loss) Before tax	(830)	3,663	8,266	(3,117)	**5,893**
Profit/(Loss) After tax	4,912	4,970	6,794	(3,636)	**5,117**
Net Profit/(Loss) Attributable to Owners of the Company	7,005	4,457	4,406	(4,027)	**3,661**
KEY BALANCE SHEET DATA					
Total Assets	112,762	161,675	103,551	98,218	**117,675**
Share Capital	35,174	35,174	35,174	53,553*	**58,442**
Capital and Reserves	52,582	61,213	67,658	63,296	**77,456**
PROFITABILITY RATIOS					
Return on Total Assets (%)	4	3	7	(4)	**4**
Return on Average Equity (%)	10	9	11	(6)	**7**
GEARING RATIO					
Net Debt to Capital and Reserves (Times)	0.50	0.46	0.14	0.15	**0.06**
VALUATION					
Basic Earning/(Loss) per ordinary share (Sen)	19.92	12.67	12.53	(11.45)	**10.17**

* *In accordance with Section 618(2) of the Companies Act 2016, any amount standing to the credit of the Share Premium account shall become part of the Company's share capital when the Companies Act 2016 comes into effect on 31 January 2017.*

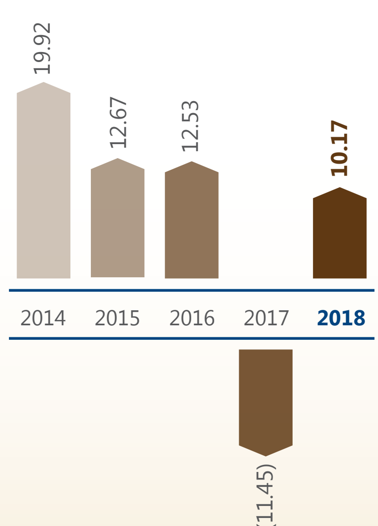
REVENUE (RM'000)



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



BASIC EARNING/(LOSS) PER ORDINARY SHARE (Sen)



PROFILE OF BOARD OF DIRECTORS

HEW VOON FOO
Independent Non-Executive Director
Aged 57 / Male / Malaysian

- *Chairman of Board of Directors*
- *Member of Audit Committee*
- *Chairman of Nomination Committee*
- *Chairman of Remuneration Committee*

Mr Hew was appointed to the Board of the Company on 6 February 2009. He is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) and the Malaysian Institute of Accountants (MIA). He has extensive experience in financial management gained over the years in an audit firm and as financial controller in a local manufacturing company. Other than the Company, he also sits on the Board of EP Manufacturing Berhad, a company listed on Main Market of Bursa Malaysia Securities Berhad.

CHIN KEM WENG
Managing Director / Executive Director
Aged 48 / Male / Malaysian

Mr Chin was appointed as the Managing Director of the Company on 27 October 1997. He has a Diploma in Mechanical Engineering from the Institute Technology of Butterworth and specialises in the area of design. Upon graduation in 1991, he joined Applied Magnetics Malaysia Sdn Bhd (Disc Drive Recording Heads Group) (Applied Magnetics) as a Technical Specialist. He was involved mainly in the design of mechanical tooling and maintenance of automation equipment. He then joined Quantum Peripheral Indonesia (QPI) in Indonesia, as an expatriate engineer and managed the automation project at the plant. Subsequently, he was seconded to the QPI office in the USA for a year where he undertook research and development work related to new technology. With his expertise and technical know-how, he left QPI in 1997 to co-found the Company with Mr Chen Khai Voon. Other than the Company, Mr Chin has no directorship in other public companies and listed corporations.

TAN MOON TEIK
Executive Director
Aged 47 / Male / Malaysian

Mr Tan was appointed to the Board of the Company on 8 October 2010. He completed his Diploma in Electronic Engineering from Linton Institute of Technology in 1993. Upon graduation in 1993, he joined ABK Electronic Pte Ltd in Singapore as a process technician. He left to join Alantac Engineering Pte Ltd, Singapore two years later and was working as a Sales/Project Manager for 4 years. In 2000, he started the business in fabrication capabilities of machine parts and toolings for equipment and replications of systems and equipment until 2003 he founded CLT Engineering Sdn Bhd, a subsidiary of the Company. He has extensive experience in areas of fabrication and automation business covering electronic, hard disk drive and other high-technology industries. Other than the Company, Mr Tan has no directorship in other public companies and listed corporations.

PROFILE OF BOARD OF DIRECTORS

CHEN KHAI VOON
Non-Independent Non-Executive Director
Aged 58 / Male / Malaysian

- *Member of Audit Committee*
- *Member of Nomination Committee*
- *Member of Remuneration Committee*

Mr Chen was appointed to the Board of the Company on 3 November 1998. He is an entrepreneur and the founder of KVC Industrial Supplies Sdn Bhd Group, a leading industrial electrical distributor in Malaysia which he started in year 1989. Other than the Company, Mr Chen also sits on the Board of Nadayu Properties Berhad.

WONG WAI TZING
Independent Non-Executive Director
Aged 60 / Female / Malaysian

- *Member of Audit Committee*

Ms Wong was appointed to the Board of the Company on 26 January 2011. She holds a Bachelor of Laws degree from the University of London. She is an Associate Member of the Institute of Chartered Secretaries and Administrators. She started her legal career in 1991 after working as a qualified company secretary for many years and was made a partner in a leading legal firm in 1996. She has actively been involved in corporate and commercial work since 1991 covering mergers and acquisitions, take-overs, joint ventures and shareholders' agreements, technical assistance agreements, time-sharing schemes, securities, distributionship and franchise agreements. Other than the Company, Ms Wong also sits on the Board of HLT Global Berhad, a company listed on ACE Market of Bursa Malaysia Securities Berhad.

TEH KIM SENG
Independent Non-Executive Director
Aged 51 / Male / Malaysian

- *Chairman of Audit Committee*
- *Member of Nomination Committee*
- *Member of Remuneration Committee*

Mr Teh was appointed to the Board of the Company on 26 January 2011. He holds a Bachelor of Laws from Leeds University, England and received a Master of Laws from Cambridge University, England in 1989. With over 25 years of experience in the legal, mergers and acquisition, corporate finance, venture capital and financial services arenas, Mr Teh manages Netrove Ventures Corp, a regional boutique venture capital and corporate finance advisory group headquartered in Hong Kong and with offices in Guangzhou and Kuala Lumpur. Residing in Hong Kong, Mr Teh initially worked as an attorney in London and then in Hong Kong, specialising in Corporate Finance and Mergers & Acquisitions. He then served as the Chief Operating Officer of a regional investment bank headquartered in Hong Kong for a number of years before founding Netrove Ventures Corp in 1999. Mr Teh is currently Chairman & CEO of Netrove Ventures Corp and sits on the boards of various privately and publicly owned enterprises across Asia. Other than the Company, Mr Teh has no directorship in other public companies and listed corporations in Malaysia.

Notes:

(1) None of the directors has:

- *any family relationship with any director and/or major shareholder of the Company;*
- *any conflict of interest with the Company;*
- *any conviction for offences (other than traffic offences) within the past five (5) years; and*
- *any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

(2) The details of attendance of each Director at Board meetings are set out in the Corporate Governance Overview Statement of this Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

CHIN KEM WENG
Managing Director
Aged 48 / Male / Malaysian

The profile of Mr Chin Kem Weng is listed in the Profile of Board of Directors.

TAN MOON TEIK
Managing Director of
CLT Engineering Sdn Bhd
Aged 47 / Male / Malaysian

The profile of Mr Tan Moon Teik is listed in the Profile of Board of Directors.

SOW EWE LEE
Chief Operating Officer
Aged 48 / Male / Malaysian

Mr Sow was appointed as Chief Operating Officer of the Company on 1 October 2009. He holds a Master of Science in Mechatronics from the University of De Montfort, Leicester, United Kingdom. Upon his graduation in 1996, he joined Hitachi Semiconductor (M) Sdn Bhd as a design engineer and was involved in designing circuit and developing software. After one (1) year, he left to join QPI as an automation engineer where he gained experience in the area of automation system design and set-up. His forte lies in the area of Automation Control System and software programming. In 1998, he left QPI to join the Company as the senior software engineer.

TAN KON HOAN
Financial Controller
Aged 47 / Male / Malaysian

Mr Tan joined the Company as Finance Manager on 14 September 2004 and was promoted as Financial Controller of the Company on 21 October 2009. He graduated with a Bachelor of Commerce majoring in Accounting in 1996 from New Zealand. He is a member of The Chartered Accountants of Australia and New Zealand (CAANZ). He is also a member of both The Association of International Accountants, United Kingdom (AIA) and The Chartered Tax Institute of Malaysia (CTIM). He is a certified member of The Financial Planning Association of Malaysia (FPAM) and registered as a Certified Financial Planner (CFP).

Prior joining to the Company, Mr Tan has overall 11 years working experience in property management and manufacturing industry. Currently, he is in-charge of the Finance, Administration and Human Resource department.

GOH YIK YONG
Senior Vice President - Operations
Aged 52 / Male / Malaysian

Mr Goh was appointed as Senior Vice President – Operations of the Company on 21 October 2009. He graduated from French Singapore Institute with a Diploma in Electronics Engineering. He has more than ten (10) years experience in the automated machine vision application and software application. Upon graduation, he joined a company in Singapore as an Application Engineer for five (5) years and was responsible for developing the software for automation machine vision application. In 1994, he joined Eyetron Sdn Bhd (Eyetron) as Senior Engineer and was involved in the conceptual design of the machine vision application, and the development of the software for the machine vision application. He left Eyetron in 1999 and joined the Company. In 2000, he joined VS Integration Sdn Bhd as a Manager for two (2) years and rejoined the Company in 2003 as a Manager of the software division in the Engineering Department.

Notes:

None of the key senior management:

- *hold any directorship in public companies and listed corporations.*
- *has any family relationship with any director and/or major shareholder of the Company.*
- *has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.*
- *has conviction for any offences (other than traffic offences) within the past five (5) years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

Genetec Technology Berhad ('Genetec' or 'the Group') is a public company listed on the ACE Market of Bursa Malaysia Securities Berhad since 2005 and is principally involved in provision of high-quality, responsive and cost-effective design, manufacturing automated industrial systems, equipment and value-added services to our global customers in the Hard Disk Drive (HDD), Automotive, Electronics, Pharmaceutical, Semiconductor and Consumers industries.

OBJECTIVES AND STRATEGIES

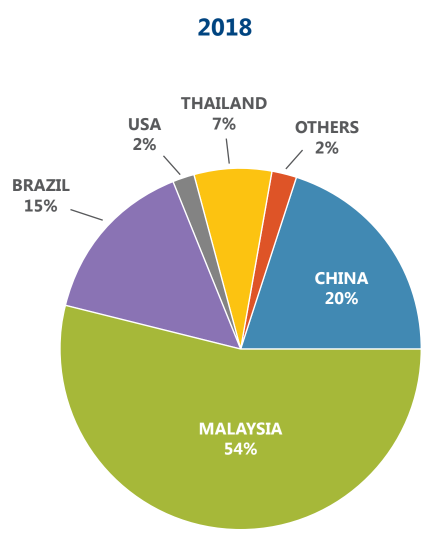
The Group aspires to be a leading supplier of customized full turnkey factory automation and stand-alone prototype equipment for mass volume production use worldwide. We are a focused supplier of customized equipment that allows our customers to increase the value and capability of their products. We set ourselves aggressive targets to support our customers with well-integrated software and technical equipment to maintain and maximize their production processes.

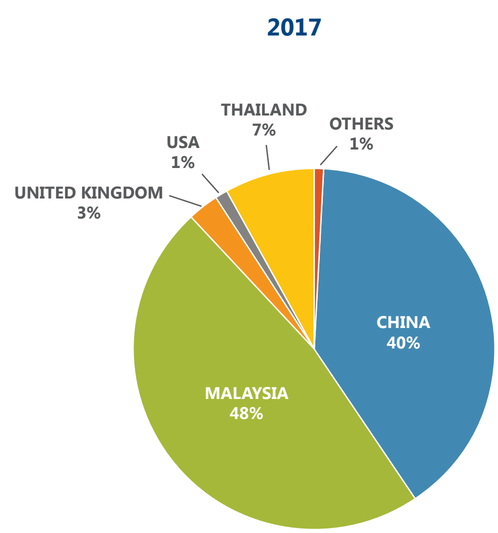
BUSINESS AND OPERATIONS OVERVIEW

Currently, Genetec's business and operations primarily consists of two core sectors, namely HDD and Automotive. Our Group currently has two (2) manufacturing operations in Selangor which are located at Bandar Baru Bangi and Subang Jaya respectively.

For the year under review, 46% (2017: 52%) of our products were exported to overseas markets namely USA, Brazil, People's Republic of China and other countries in Asia. Our Group recorded a revenue of RM101 million for the financial year ended 31 March 2018, representing an increase of 44% from the preceding year's revenue of RM70.3 million mainly due to higher order from the HDD sector.

TURNOVER BY GEOGRAPHICAL LOCATIONS





Despite the challenging global business environment in the HDD sector, the revenue derived from our key HDD sector increased by 64% to RM60.1 million (2017: RM36.7 million), accounting for 60% of the group's revenue as compared to 52% for the preceding year, the increase of 8% was mainly derived from the conversion for quality automations from our customers to improve their manufacturing outputs.

MANAGEMENT DISCUSSION & ANALYSIS

The revenue derived from the Automotive sector increased by 29.3% to RM38.4 million (2017: RM29.7 million), accounting for 38% of the Group's total revenue (2017: 42%). The Automotive sector continued to contribute stable revenue to the Group, the improvement in this sector was primarily due to the positive contribution from the strategic transformation and diversification that the Group carried out in the past few years. The Group will continue to pursue other sectors as part of our diversification strategy to enhance our customer base on Non-HDD for further growth.

For further enhancement and progressive development of the Automotive sector, the Group remained proactive in developing new customers with an aim to maintain its competitiveness by not relying on orders from individual major customers and to create more profit and secure suitable turnkey projects. We have achieved satisfactory performance in recent years after our prolonged work of customer development. The Group will continue to strengthen the existing customers' confidence in the Group and balance the development of its customers so as to maintain a satisfactory growth for its existing products.

Research and Development is always our long-term strategy to continuously maintain our market share in the HDD and Automotive sectors. Ongoing tailor-made training and development programs to develop our talented and highly skilled professionals had always been our top priority. This ensures continuity in our workforce and retains the required knowledge, skills, and competencies of our staff force to meet the requirements from our customers.

Profit Before Tax from Continuing Operations

Our gross profit margin has improved to 18% (2017: 12%) for the year ended 31 March 2018 mainly due to undertaking of projects with higher margins as well as operational efficiency. The Group recorded a Profit Before Tax of RM5.9 million for the current year under review as compared to Loss Before Tax of RM3.1 million in the previous year despite the additional expense of RM3.2 million in respect of share-based payment arising from the granting of share option to eligible Directors and employees. Apart from lower revenue derived from both HDD and Automotive sectors, the recognition of impairment loss on goodwill of RM5.0 million had also impacted the performance of the previous year.

Loss from Discontinued Operations

On 17 January 2018, CLT Engineering Sdn. Bhd., a 51%-owned subsidiary of the Group had completed the disposal of its entire 100% equity interest in CLT Engineering (Thailand) Co. Ltd. to third parties for a total consideration of 1,000 Thai Baht (equivalent to approximately RM125 at the exchange rate of Baht 1/- : RM0.125 as at 17 January 2018).

The loss from discontinued operations arising from the disposal amounted to RM0.7 million.

Administration Expenses

During the year under review, administrative expenses has increased by 91% to RM10.7 million (2017: RM5.6 million) as compared to the previous year. This is mainly due to the shares option payment of RM3.2 million arising from granting of share options to eligible Directors and employees.

Finance Cost

Finance costs increased RM0.2 million or 20% from RM1.0 million for the previous year to RM1.2 million in the current year as the Group has increased its bank borrowings which include banker acceptance and revolving loans to meet its operations requirements and capital expenditure for the financial year.

Statement of Financial Position

Property, plant and equipment increased by RM0.5 million or 1.4% from RM35.8 million in previous year to RM36.3 million in the current year. The increase is mainly resulted from the acquisition of assets of RM2.8 million and deprecation charge of RM2.2 million during the financial year.

The RM6.3 million Other Investment (current asset) comprises short-term investment in a Unit Trust Investment Fund. It offers the Group the opportunity to achieve regular income stream and high level of liquidity to meet cash flow requirements while maintaining capital preservation. The Group managed to maintain stable liquidity and is able to meet its ongoing operation requirements.

MANAGEMENT DISCUSSION & ANALYSIS

The Group generally financed its operations and investing activities by internally generated financial resources and borrowings from bank. The Group's borrowings increased by 35% from RM15.5 million at the end of the previous financial year to RM21.0 million. The increase was mainly due to short-term borrowings granted by the banks for our working capital during the financial year. Our term loans position on 31 March 2018 was RM11.0 million, down 10.6% from RM12.3 million at the end of the previous financial year. Debt-to-equity ratio has reduced from 0.15 at the end of 2017 to 0.06 in 2018.

ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 15 November 2017, the Group had acquired the remaining 40% of the equity interest in Fas Manufacturing Sdn. Bhd. (FASM) and Fas Technology Solution Sdn. Bhd (FASTECH) for a purchase consideration of RM14,000 and RM6,000 respectively from an unrelated third-party. In this regard, both FASM and FASTECH have become wholly-owned subsidiaries of the Group and are currently dormant.

CORPORATE EXERCISE

Special Bumiputera Share Issue

On 4 July 2017, the Group had completed the listing of 317,200 Special Issue Shares to Bumiputera investors identified and approved by the Ministry of International Trade and Industry of Malaysia or MITI at issue price of RM1.10 per share. Securities Commission Malaysia had vide its letter dated 11 August 2017 informed that the Group is deemed to have complied with the Bumiputera Equity Condition. Hence, marking the completion of the Special Bumiputera Share Issue. The total proceeds of RM348,920 from the Special Issue exercise has been fully utilised for working capital and expenses in relation to the Special Issue exercise.

Private Placement

On 26 January 2018, the Group had completed the listing of 3,231,900 new ordinary shares to unrelated third-party investors through private placement. The placement shares were issued at an issue price of RM1.05 per share and total proceeds of RM3.39 million was received from the said placement on 26 January 2018. As at the date of this report, the net proceeds of approximately RM3.32 million (net of related expense of RM75,000) have been fully utilised as working capital.

SHARE PERFORMANCE

HIGHEST SHARE PRICE WITHIN FYE2018	**RM1.73**	▲
LOWEST SHARE PRICE WITHIN FYE2018	**RM0.84**	▼

TOTAL VOLUME TRADED: 69,987,600 shares

TOTAL MARKET CAPITALISATION: RM52.4 Million

DIVIDEND

There was no dividend declared or paid for the financial year ended 31 March 2018 as we remained prudent in our efforts to preserve capital and enhance the liquidity position of the Group.

MANAGEMENT DISCUSSION & ANALYSIS

RISK FACTORS

Foreign Currency Fluctuations

The Group is exposed to fluctuations in foreign exchange rates as most of the Group's revenue is denominated in US dollars. To mitigate the impact of the currency fluctuation towards our financial results, the Group hedges these exchange risks with forward exchange contracts for receivables and payables denominated in foreign currencies.

Reliance on Key Personnel

Our continued success depends on the retention and recruitment of skilled personnel, including technical, marketing and management personnel. There can be no assurance that we will be able to successfully retain and recruit the key personnel that we require for our operations.

We monitor the organisational health of the Group and have various programmes and perks in place to retain key employees. Ongoing survey and communication are carried out in understanding what our employees need and want so we could realign on a timely basis. Employee Share Option scheme is part of our incentive policy, both for the Directors as well as for our employees. They are intended to attract and retain key talent to the Group.

FORWARD-LOOKING STATEMENT

We expect the macro-economic situation to remain challenging for financial year 2019. In this environment, we will continue to maintain our efforts on investments in technologies and projects that support our strategy to further increase our operational efficiencies across all areas of our business. The HDD and Automotive businesses of the Group operate in a highly competitive industry sector. The Group faces competition from global technology companies and rapid technological change. Each business sector will be assessed continuously on its relative strength, market profitability and sustainable development. Our strategy is to restore revenue growth as well as explore opportunities to cooperate with existing and new customers.

We anticipate the HDD industry to remain challenging with the softening of the global demand. However, we expect it to remain profitable with more orders for upgrading and conversion of quality automation products.

As for the Automotive sector, according to Moody's Report (March 2018), increased consumer car demand due to improving global economic prospects and a lowering of the rating agency's sales growth requirements for the sector have changed the outlook on the global auto manufacturing industry over the next 12 to 18 months to stable from negative.

Currently, our Automotive customer base is worldwide and notably China is experiencing steady growth in this sector for the past years. We foresee China's Automotive industry will continue to grow and we look to penetrate further into this market. This sector has maintained a steady growth momentum. In addition, backed by the customers' recognition for our historical performance, the Group remains optimistic and positive towards the prospect of the automotive sector.

It is expected that governmental policies and industrial development trend will boost the development and use of robotics and the general technological upgrades of the manufacturing processes, which in turn will benefit specialised engineering solutions industries. Our Group is expected to continue to ride on the market growth for intelligent manufacturing and factory automation leading to an increase in demand for engineering solutions.

The Group is also actively seeking suitable investment opportunities to leverage on its technology know-hows and talented staff advantages so as to explore more future business possibilities for the Group.

Our management team possess the capability to overcome difficulties, and as always, we had and will continue to strive for greater innovation and efficiency. When coupled with our acute technology and core competencies, we expect the Group's performance for the financial year 2019 to be satisfactory.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the "Board") of Genetec Technology Berhad ("Genetec" or the "Company") is committed to ensure that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of protecting and enhancing shareholders' value and the financial performance of the Group.

The Board is pleased to present this overview statement which sets out the overview manner in which the Group has applied the Principles as set out in the Malaysian Code of Corporate Governance 2017 ("MCCG" or the "Code") and the extent of compliance with the Principles of MCCG advocated therein during the financial year ended 31 March 2018 in accordance with Rule 15.25(1) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company has disclosed the extent of the Company and its Group application of each practice as set out in the MCCG to Bursa Securities in its Corporate Governance Report ("CG Report") in accordance with Rule 15.25(2) of the AMLR of Bursa Securities. The CG Report is available for download from the "Corporate Governance" section of the Company's website at www.genetec.net.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1. Board's Leadership on Objectives and Goals

Strategic Aims, Values and Standards

The Board is charged collectively with leading and managing the Company in an effective and responsible manner. The overall business and affairs of the Group are managed under the direction and oversight of the Board. The Board has the responsibility to set the core values, adopt proper standards; and periodically review and approve the overall strategies, business, organisation and significant policies of the Group to ensure that the Group operates with integrity and complies with the relevant rules and regulations.

The Board assumed the following, amongst others, roles and responsibilities, in enhancing Board's effectiveness in the pursuit of corporate objectives:

- Reviewing and adopting a strategic plan for the Company;
- Overseeing and evaluating the conduct of the Company's business to ensure the business is properly managed;
- Ensuring the Group has appropriate risk management process/framework and adequate internal control systems to identify, analyse, evaluate, manage and control significant financial and non-financial risk;
- Establishing policies for strengthening the financial and operational performance of the Group and ensuring proper and effective execution of the policies;
- Formalising the Company's strategies on promoting sustainability, focusing on environmental, social and governance aspects;
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems which includes appropriately sound framework/systems of reporting for compliance with applicable law, regulations, rules, directives and guidelines;
- Ensuring that there is in place an appropriate succession plan for members of the Board and senior management.

The Board has delegated and conferred some of its authority and powers to its Committees, namely Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Employees' Share Option Scheme Committee ("Board Committees") with clearly defined terms of reference to assist the Board in discharging its responsibility. The Board Committees are entrusted with the responsibility to oversee specific aspects of the Company's affairs in accordance with their respective terms of reference as approved by the Board. Notwithstanding the delegation of specific powers to the Board Committees, the Board remain full responsibility for the direction and control of the Group to safeguard the interests of the shareholders and to enhance shareholders' value.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

1. Board's Leadership on Objectives and Goals (continued)

The Chairman

The Chairman of the Board is an Independent Director who provides strong leadership for the governance, orderly conduct and effectiveness of the Board. Together with other Directors, he leads the Board in driving the focus on strategy, governance and compliance in running and leading the discussion.

The Chairman and Managing Director

The Board structure ensures that no individual or group of individuals dominates the Board's decision making process. The positions of Chairman of the Board and Managing Director are held by different individuals to ensure accountability and division of responsibility. There is a clear differentiation of duties/responsibilities between the Chairman and the Managing Director to ensure that there is a balance of control, power and authority. The respective duties and responsibilities of the Chairman and Managing Director are set out in the Board Charter.

The Chairman is responsible for leading and ensuring the adequacy and effectiveness of the Board's performance and governance process, and effective and smooth interaction of the overall Board and individual Directors, both within and outside the Boardroom as well as driving the discussion towards consensus and to achieve closure in every discussion. The Managing Director with the assistance and support from the Executive Director and Key Senior Management implements the Group's decision and policies as adopted by the Board, overseeing the operations as well as developing, coordinating and implementing business and corporate strategies.

Suitably Qualified and Competent Company Secretary

The Board is assisted by the company secretary who has the requisite credentials and are qualified to act as company secretary under Section 235 of the Companies Act 2016 in fulfilling their fiduciary duties. The Board members have full and unlimited access to the company secretary who is available at all times to provide the Directors with the appropriate advice and services particularly relating to procedural and related statutory obligations.

The company secretary attends and ensures that all Board meetings are properly convened, while accurate and proper records of proceedings and resolutions passed are minuted and maintained in the statutory register at the registered office of the Company.

The Board is kept informed of any new amendments and updates issued by various regulatory authorities from time to time through the company secretary via emails, meetings briefings and hard copy, whichever deemed appropriate and applicable. The Board is notified of any corporate announcements released to Bursa Securities by the company secretary.

Access to Information and Advice

The Board members in their individual capacity have full and unrestricted access to the company secretary and senior management for the relevant and timely information in the form and quality required pertaining to the Group's business affairs to assist in discharging of their duties and responsibilities. The Board members also have access to the Internal and External Auditors of the Group, with or without the presence of senior management, to seek explanations or additional information.

The Board has approved and adopted a formal procedure for all Directors, whether acting as a full Board or Board Committee or in their individual capacity, to obtain independent professional advice, where necessary, at the Company's expenses. Prior to engaging an independent adviser, the director shall give notice in writing to the chairman of his intention to seek independent professional advice under this procedure. The Board has also approved a prerequisite amount towards the cost of obtaining any independent professional advice by any director on case to case basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

2. Demarcation of Responsibilities

Board Charter

The Board has approved and adopted the Board Charter on 22 May 2013. The Board Charter serves as a source of reference for Board members as well as a primary induction literature providing Board members and the management insight into the function of the Board. The Board Charter contains specific guidance to the Board members in respect of their duties and responsibilities; and the various legislation and regulations governing their conduct with the application of principles and practices of good corporate governance. The Board Charter would be reviewed and updated periodically as and when the need arises to ensure it is kept up-to-date with changes in regulations and best practice.

The Board Charter is available at the Company's website at www.genetec.net with last review performed and approved by the Board on 28 February 2018.

3. Good Business Conduct and Corporate Culture

Code of Conduct and Ethics

The Company has adopted two distinct set of Code of Conduct and Code of Ethics for its Directors and employees as a guide in discharging their duties and responsibilities by demonstrating good judgment and honestly as well as loyalty and ethics in the conduct of its business that are aligned with best practices and applicable laws, rules and regulations. Both Code of Conduct and Code of Ethics are available at the Company's website and will be reviewed by the Board as and when the need arises.

Whistleblowing Policy

The Group has in place a Whistleblowing Policy designated to create a positive environment in which Directors, employees and stakeholders can report or disclose in good faith genuine concerns about unethical behavior, malpractice, illegal act or failure to comply with regulatory requirements without fear of recrimination and to enable prompt corrective actions and measures to be taken where appropriate, and necessary. The Whistleblowing Policy has been incorporated in the Board Charter and available at the Company's website and will be reviewed by the Board as and when the need arises.

II. Board Composition

4. Board's Objectivity

Composition of the Board

The Board currently consists of six (6) members comprising:-

Two (2) Executive Directors;
Three (3) Independent Non-Executive Directors (including the Chairman) and
One (1) Non-Independent Non-Executive Director.

The Board composition complied with the AMLR of Bursa Securities which stipulated that at least two directors or one-third of the board, whichever is higher, must be independent directors. The Independent Directors which constitute 50% of the composition of the Board also applied with the recommendation of Practice 4.1 of the MCCG which states that at least half the board is to comprise independent directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4. Board's Objectivity (continued)

Composition of the Board (continued)

The Independent Non-Executive Directors provide a check and balance in the functioning of the Board and enhance its effectiveness. They act independently of the management and are not involved in any other relationship within the Group that may materially affect or interfere with the exercise of their independent judgement and decision-making.

The Executive Directors are complemented by the experience and independent views of the Independent Non-Executive Directors who are professionals in the field of corporate finance, accounting and legal. The Board members are from various professions with a wide range of skills, knowledge, business and financial experience that are essential to effectively direct and supervise the Company's business activities and ensure that the interests of all stakeholders are adequately protected.

The Board is satisfied that its current size and composition reflects an appropriate balance of Executive Directors and Independent Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

Tenure of Independent Director

The Company does not have a policy which limits the tenure of its Independent Directors to nine (9) years. The Board believes that independence of a director cannot be determined solely based on the tenure of service as the tenure of service does not interfere with their exercise of judgment and ability to act in the best interest of the Group. As at the date of this Statement, the Board has a Director, namely Mr Hew Voon Foo who has served the Company as Independent Director for a cumulative term of more than 9 years. In line with the recommendation of MCCG, the Board has assessed via Nomination Committee his independence and satisfied that Mr Hew has satisfactory demonstrated that he is independent and free from any business dealings with the Group that could be perceived to interfere in his exercised of independent judgement; and accordingly, recommended him for shareholders' approval to continue to serve as an Independent Director for the ensuring year. Mr Hew will be seeking shareholders' approval on his re-appointment as Independent Non-Executive Director at the forthcoming Annual General Meeting.

Diverse Board and Senior Management

Appointment of Board and senior management are based on objective criteria, merit and due regard for diversity in skills, experience, age, cultural background and gender. Currently, the Company has a female member sitting on the Board. Please refer to the Profile of Board of Directors and Key Senior Management as disclosed in this Annual Report for further information.

Gender Diversity Policy

The Company has in place Diversity Policy as set out in the Board Charter. Any new appointments of Board or senior management shall be based on merits, objective criteria and with regard for diversity in skills, experience, age, cultural background and gender. The Board does not set any target for women representation at the senior management level and the Board of the Company and will actively work towards having appropriate representation of women at the senior management level and the Board of the Company.

New Candidates for Board Appointment

All appointments to the Board and its various Board Committees are assessed and considered by the Nomination Committee. In making these recommendations, the Nomination Committee considers diversity generally when making appropriate appointments to the Board, taking into account relevant skills, age, experience, knowledge, personality and gender. While the Board strives to promote diversity, appointments of Directors are still premised on merit and their knowledge and expertise, which must be relevant to the Company. Upon appointment to the Board, all new Directors will undergo an induction programme to fully understand the operation of the Group and also the expectation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4. Board's Objectivity (continued)

New Candidates for Board Appointment (continued)

In accordance with the Company's Constitution, one-third of the Board is required to retire at every Annual General Meeting and be subject to re-election by shareholders. In addition, all Directors including the Managing Director shall retire from office at least once in every three (3) years. A retiring Director is eligible for re-election. Directors who are appointed by the Board to fill a casual vacancy or as an addition to the existing Board of Directors during the year shall hold office only until the next following Annual General Meeting of the Company and shall be eligible for re-election.

There was no new appointment of Director for the financial year under review.

Nomination Committee ("NC")

The NC comprises of the following members, all being Non-Executive Directors with the Chairman being the Independent Director:

Name of Director	Directorate
Hew Voon Foo (Chairman)	Independent Non-Executive Director
Teh Kim Seng (Member)	Independent Non-Executive Director
Chen Khai Voon (Member)	Non-Independent Non-Executive Director

The NC is entrusted by the Board to amongst others, assess the adequacy and appropriateness of the Board composition, assess and recommend to the Board suitably qualified candidates for appointment to the Board and Board Committees, Board diversity including gender, age and ethnicity, assess annually the performance of the Board and Board Committees, Board's succession planning and training programmes and other qualities of the Board including core-competencies which independent directors should bring to the Board.

A summary of activities undertaken by the NC in discharging of its duties during the financial year under review:

- Reviewed and assessed the effectiveness, composition and balance of the Board as a whole;
- Reviewed and assessed the effectiveness and contribution of each individual Director through self and peer assessments;
- Reviewed and assessed the effectiveness of the Board Committees;
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members;
- Reviewed and assessed the independence of the Independent Directors;
- Reviewed and recommended the Directors who were due for re-election including deliberation on an Independent Non-Executive Director whose tenure has exceeded 9 years and which would require his continuance as an Independent Non-Executive Director to be voted at the forthcoming Annual General Meeting;
- Reviewed the succession planning for board chairman, directors and key management personnel;
- Deliberated and recommended the Procedure for Selection and Appointment of New Directors to the Board; and
- Noted and confirmed the updated Terms of Reference of the Nomination Committee which has been approved and adopted by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

5. Overall Effectiveness of the Board and Individual Directors

Annual Assessment of Effectiveness of the Board, Board Committees and Individual Directors

The Board, through the NC, conducts an annual assessment on the performance of the Board as a whole, each individual Directors and Board Committees established by the Board via an evaluation survey questionnaires in order to enhance its effectiveness, strength and to identify areas for improvement. The NC assesses the individual director (via self and peer assessment) based on the criteria calibre and personality, experience, integrity, competence that can be committed by each of the said persons to effectively discharge his role as a director. The Board is assessed in the areas of the composition, mix of skills, experience and core competencies, decision making process, Boardroom activities and; interaction and communication with the management and other stakeholders, as well as the effectiveness of the Chairman. Board Committees are assessed in terms of accountabilities and responsibilities and the success of the Committees in achieving its objectives. All the results are deliberated upon and reported to the Board accordingly.

Based on the assessment conducted by NC during the financial year under review, the Board is satisfied that the Board and Board committees have discharged their duties effectively during the year.

Time Commitment of the Board

Directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively. Attendance at Board and Board Committee meetings for the financial year ended 31 March 2018 is set out in the respective table below:-

Board

Name of Director	Directorate	Meeting Attendance
Hew Voon Foo	Independent Non-Executive Chairman	5/5
Chin Kem Weng	Managing Director	5/5
Tan Moon Teik	Executive Director	5/5
Chen Khai Voon	Non-Independent Non-Executive Director	4/5
Wong Wai Tzing	Independent Non-Executive Director	5/5
Teh Kim Seng	Independent Non-Executive Director	5/5

Audit Committee

Name of Director	Designation	Meeting Attendance
Teh Kim Seng*	Chairman	5/5
Hew Voon Foo**	Member	5/5
Wong Wai Tzing	Member	5/5
Chen Khai Voon	Member	4/5

* *Re-designated from Member to Chairman on 28 February 2018*
** *Re-designated from Chairman to Member on 28 February 2018*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

5. Overall Effectiveness of the Board and Individual Directors (continued)

Time Commitment of the Board (continued)

Nomination Committee

Name of Director	Designation	Meeting Attendance
Hew Voon Foo	Chairman	2/2
Teh Kim Seng	Member	2/2
Chen Khai Voon	Member	2/2

Remuneration Committee

Name of Director	Designation	Meeting Attendance
Hew Voon Foo	Chairman	2/2
Teh Kim Seng	Member	2/2
Chen Khai Voon	Member	2/2

The Board ordinarily schedules to meet on a quarterly basis. All Board and Board Committee meeting dates are pre-scheduled at the end of the year for the following year in ensuring full and complete attendance and participation. Additional meetings will be convened as and when necessary to discuss and consider urgent and important matters that require Board's attention. Where appropriate, decisions may be taken by way of circular resolutions between the scheduled meetings which are supported with all the relevant information and explanations required for an informed decisions to be made.

The Board has a formal schedule of matters specifically reserved for decision making such as establishment of new business, annual strategic plan, approval of major capital expenditure, acquisition and disposal of business or appraisal of business proposal and any other strategic issues that affect or may affect the Company's business to ensure that the direction and control of the Group is firmly in its hand. The Directors aware and observe the requirement that they do not participate in the deliberations on matters of which they have a material personal interest, and abstain from voting in such matters.

The Directors are required to devote sufficient time to carry out their responsibilities. The Directors upon appointment, and from time to time during their tenure, shall notify the Chairman and company secretary of the Company before accepting any new directorships and the expected time to be spent on the new appointment. In compliance with the AMLR of Bursa Securities, all of the Directors do not hold more than five (5) directorships of listed issuers at any one time to ensure that the Directors devote sufficient time and effort in discharging their responsibilities.

Assessment of Independent Directors

The Independent Directors have the necessary skill and experience in providing unbiased, objective and impartial opinion, advice and judgement to the Board deliberations, mitigating risks of any possible conflict of interest or undue influence from interested party, taking into account the interests of the Group, shareholders, employees, customers, business associates and other stakeholders. The Board would ensure that the NC undertakes an assessment of the independent directors annually. Based on the assessment conducted by the NC, the Board is of the opinion that the independence of the existing Independent Directors remain unimpaired and continue to bring independent and objective judgment to board deliberations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

5. Overall Effectiveness of the Board and Individual Directors (continued)

Directors' Training

All Directors are aware of their duty to attend appropriate continuous education programmes to enhance their knowledge and skills and keep abreast of new developments in regulatory requirements and changing environment in which the business operates that will aid them in the discharge of their duties.

All Directors have attended and completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities. The Board has prescribed minimum training programmes to be attended by each Director in each financial year whereby all the Directors have complied with the training requirement. The training attended by the Directors included briefing, seminars and workshop during the financial year under review are as follows:-

- Global Treasury & Global Transactions Banking
- Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
- Release of The Malaysian Code on Corporate Governance
- An Overview on The Malaysian Code on Corporate Governance 2017
- New Accounting Standard – MFRS 15

III. Remuneration

6. Level and Composition of Remuneration

Remuneration Policy

The Company has in place Remuneration Policy for Directors and Senior Management with the aim to support the Company's key strategies and create a strong performance-orientated environment, and be able to attract, motivate and retain Directors and senior management. Performance-based incentives and retention incentives were provided to Executive Directors and Senior Management to ensure the business was conducted effectively towards meeting strategic objectives of the Group. The Remuneration Policy for Directors and Senior Management can be found on the Company's website.

Remuneration Committee ("RC")

The RC comprises of the following members, all being Non-Executive Directors with the Chairman being the Independent Director:

Name of Director	Directorate
Hew Voon Foo (Chairman)	Independent Non-Executive Director
Teh Kim Seng (Member)	Independent Non-Executive Director
Chen Khai Voon (Member)	Non-Independent Non-Executive Director

The RC is entrusted to assist the Board in determining, developing and recommending on appropriate remuneration policy and remuneration package for Directors and senior management so as to attract, retain and motivate the Directors and senior management. The Board has authorised the NC to review annually the performance of the Directors and the RC makes recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions and responsibilities for the year.

The remuneration package for the Executive Directors and senior management comprises of basic salaries, allowances and performance-based incentives including bonus and other customary benefits as appropriate. The salary level for Executive Directors and senior management takes into account the scope of duty and responsibilities, corporate and individual performance and market conditions within the industry.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

6. Level and Composition of Remuneration (continued)

Remuneration Committee ("RC") (continued)

The Non-Executive Directors are paid fixed annual directors' fees as members of the Board and these are approved by the shareholders at the AGM. Additional fees will be established for lead role position such as a board chairman.

Determination of the remuneration packages for Non-Executive Directors is a matter of the Board as a whole. The Director concerned had abstained from the deliberation and voting decisions in respect of his/her own remuneration either at the RC or Board level as the case may be.

7. Remuneration of Directors and Senior Management

Directors' Remuneration

The details of the remuneration of the Directors (both by the Company and the Group) in respect of the financial year ended 31 March 2018 are as follows:

	Company		Group	
	Executive Directors (RM)	Non-Executive Directors (RM)	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries	864,664	-	1,361,814	-
Fees	-	180,000	-	180,000
Bonuses	392,800	-	762,800	-
Benefits-in-kind	28,000	-	88,000	-
Total	**1,285,464**	**180,000**	**2,212,614**	**180,000**

The number of Directors whose remuneration during the financial year falls within the respective band is as follows:

	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM50,001 to RM100,000	-	1
RM900,001 to RM950,000	1	-
RM1,250,001 to RM1,300,000	1	-
Total	**2**	**4**

Remuneration of Top Five Senior Management

The RC and the Board are of the view that it is not to the Company's advantage or best interest to disclose the Senior Management personnel names and the various remuneration components in details considering the highly competitive market for Key Management personnel with the requisite knowledge, technical expertise and working experience in the industry the Company operates. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

7. Remuneration of Directors and Senior Management (continued)

Remuneration of Top Five Senior Management (continued)

As an alternative, the RC and the Board believes that the disclosure of Senior Management's remuneration, that includes the top 5 key Senior Management, in the audited financial statements is adequate as it complies with the requirements of Paragraph 17 of MFRS 124 "Related Party Disclosures".

PRINCIPLE B – EFECTIVE AUDIT AD RISK MANAGEMENT

I. Audit Committee ("AC")

8. Effective and Independent Audit Committee

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The AC also undertakes to provide oversight on the risk management framework of the Group. The Board has overall responsibility for the quality and completeness of the financial statements of the Company and the Group, both on a quarterly and full year basis, and has a duty to ensure that those financial statements are prepared based on appropriate and consistently applied accounting policies, supported by reasonably prudent judgment and estimates and in accordance with the applicable financial reporting standards.

The AC is chaired by an Independent Director. All members of the AC are financially literate. The AC has full access to both the Internal and External Auditors, who, in turn, have access at all times to the Chairman of the AC.

The AC composition, meeting details and summary of activities of the AC in the discharge of its functions and duties for the financial year ended 31 March 2018 are set out separately in the Audit Committee Report in this Annual Report.

II. Risk Management And Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility for continuous maintenance of a sound system of internal control as well as implementing a suitable Risk Management Framework to safeguard shareholders' investment and the Group's assets. While every effort is made to manage the significant risks, by its nature, the system can only provide reasonable but not absolute assurance against material misstatement or loss. Ongoing reviews are carried out by the Board, with the assistance of the Risk Management Committee and Internal Auditors, to safeguard the Group's assets.

10. Effective Governance, Risk Management and Internal Control

The internal audit function has been outsourced to independent professional consultants to carry out reviews on the Group's overall corporate governance and internal control processes. The internal audit reports are tabled for the AC's review and comments, and the audit findings will then be communicated to the Board.

The Statement on Risk Management and Internal Control is set out in this Annual Report proving an overview of the state of the risk management and internal controls within the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINFUL RELATIONSHIP STAKEHOLDERS

I. Communication With Stakeholders

11. Continue Communication between Company and Stakeholders

The Group recognises the importance of accountability to its stakeholders and thus, has maintained an active communication policy to ensure that all stakeholders are kept informed of significant developments in accordance with the AMLR of Bursa Securities. To ensure stakeholders are well informed, information are disseminated through various disclosures and announcements to Bursa Securities. Annual reports, quarterly financial results, announcements to Bursa Securities and circular to shareholders are some of the modes of dissemination of information.

The Board is committed to timely and factual disclosure to the public regarding the business, operations and financial performance of the Company, consistent with legal and regulatory requirements, to enable orderly behaviour in the market. The Board has adopted a Corporate Disclosure Policy which applies to all Directors, Officers and employees aiming at effectively handling and disseminating the corporate information timely and accurately to its shareholders, stakeholders and the public in general as required by Bursa Securities. The Corporate Disclosure Policy is available for reference at the Company's website.

The Company has approved and adopted the Shareholders' Communication Policy to promote effective communication with shareholders. The shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable them to exercise their rights as shareholders in an informed manner and to allow shareholders and other stakeholders to actively engage with the Company. The Shareholders' Communication Policy is available for reference at the Company's website.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Company.

The Company also maintains an interactive and dedicated link on its website at www.genetec.net through which shareholders as well as members of the public are invited to access for the latest information of the Group.

II. Conduct of General Meetings

12. Encourage Shareholders' Participation at General Meetings

General meetings are important avenues for shareholders to exercise their ownership rights and to access and engage in dialogue with the Board and management. The Company's Annual General Meeting remains as the principal forum for dialogue with shareholders who are encouraged to attend and participate in the proceedings. Adequate time is given during Annual General Meeting to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. External Auditors are also present to provide their professional and independent view on issues and concerns raised by the shareholders.

Five Directors were present in person to engage directly with shareholders during the last Annual General Meeting. All Directors will commit to attend the general meetings and chairman of the Board Committees will provide meaningful response to questions addressed to them.

The Board has not adopted electronic voting as the number of shareholders turning up for the Annual General Meeting was relatively small and the voting for resolutions was expediently carried out by traditional balloting, supervised by an independent scrutineer.

Pursuant to Rule 8.31A(1) of the AMLR of Bursa Securities, all resolutions considered at general meetings will be put to vote by way of poll and the voting results will be released to Bursa Securities on the same day.

In line with good corporate governance practice, the notice of last Annual General Meeting was despatched to shareholders at least 28 days before the Annual General Meeting to allow the shareholders to make the necessary attendance and voting arrangement.

This Statement was presented and approved by the Board on 3 July 2018.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Our corporate responsibility (CR) strategy addresses the four pillars outlined in the Bursa Malaysia Securities Berhad CR Framework i.e. Environment, Community, Marketplace and Workplace.

As a responsible corporate citizen, we have initiated, supported and successfully implemented various social, community and environmental projects.

COMMUNITY

a) Youth Development and Education

As one of the leading industrial automation manufacturers, we have a responsibility to contribute to the capabilities of tomorrow's workforce. Education is one of the key areas where we believe our support is important, and where we can make a real difference. We have launched the following programmes:

- Young Apprenticeships Scheme – A collaboration effort between Genetec and a pre-designated training centre to provide form five school leavers an employment opportunity upon completion of form five.

- Internship Program – work with various public and private higher education providers such as universities, colleges and polytechnic to provide practical training for their students.

b) Graduate Employment

Upon graduation, Genetec offers these students employment opportunities and mentorship with continuous advice, guidance and support. Genetec realizes that these initiatives do not only enhance the human capital of Genetec but also helps the government in reducing unemployment rate.

WORKPLACE

a) Human Capital Development

Genetec considers its people as the most valuable asset. We believe training and development is important in developing and upgrading skills, knowledge and attitudes to ensure optimal performance. We provided financial assistance for those who wish to pursue for higher education. Employees are provided with various training to develop and upgrade their skills, knowledge and attitudes so that everyone is exposed to the same opportunities.

b) Staff welfare

We offer our staff an attractive benefits package, including Medical and Hospitalisation plan, Employees' Share Option Scheme (ESOS) and in-house surau. Several activities were organised throughout the year to create social balance and maintain harmony and build better rapport such as social gatherings, company trips and team building activities.

Sport and competitive activities were held throughout the year to engage our employees.

c) Human Rights

Genetec treats all staff with dignity, fairness and respect. We treat all staff equally regardless of their gender, age, ethnicity, religion and cultural background. Genetec is committed in upholding basic Human Rights. We abide by the non-discrimination laws. We do not discriminate unfairly on any basis.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

WORKPLACE (continued)

d) Health and Safety

We strive to maintain a safe and healthy working environment for all our employees. The Company has a Safety and Health Committee which overseas and ensures the health and safety policies and procedures adheres to the safety measures of the Occupational Safety and Health Act or any other applicable safety rules. Preventive actions are taken to mitigate risks such as:

- Allocating First Aid Kit boxes in office premises.
- Emphasize safety awareness on work place by placing signboards and notices.
- Engaging employees in fire evacuation drills. Employees are trained on how to use fire extinguisher during emergency.
- Provide industrial safety masks, goggles, gloves and shoes for staff who need to work on machine.

ENVIRONMENT

a) Energy Savings

Genetec is committed to the cause of energy savings by educating our staff on the importance of energy conservation such as instilling good habit of switching off the light and air-conditioning during lunch time or when they are out from the office.

b) Green Environment

Genetec is committed to streamline all internal transactions and communications towards a paperless office to build the awareness of green environment.

The Group imprints energy saving practices in our daily operations to keep our environment footprint at the lowest possible level. Our staffs are encouraged to adopt eco-friendly practices such as using recycled paper for printing.

MARKETPLACE

a) Ethical Business Culture

The creation and proactive management of a culture of integrity, ethical behaviour and honesty that is pervasive throughout the organisation as well as a zero tolerance of fraud and unethical conduct means that the way in which Genetec Group behaves in making its profits is just as important as the profits that it makes.

b) Investor relations

The Group maintains an online platform via its website which provides information on the Group encompassing announcements, quarterly financial results, updates on the Group's performance and developments with the objective of fostering and maintaining good relations with and providing timely information to various stakeholders of the Group.

Genetec believes that effective corporate social responsibility can deliver benefits to our business and, in turn, to our shareholders, by enhancing reputation and business trust.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Genetec Technology Berhad ("**the Board**") is committed in maintaining a sound risk management framework and internal control system throughout the Group and is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the year under review.

This Internal Control Statement is made in accordance with Principle B of the Malaysian Code on Corporate Governance 2017 and paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires Malaysian public listed companies to make a statement about their state of internal control, as a Group, in their Annual Report.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management framework and internal control system as well as reviewing its adequacy and effectiveness. In addition, the Board also affirms its overall responsibility to identify principal risks, ensure the implementation of an appropriate control environment and framework to manage risks, and evaluate the operational effectiveness and efficiency of the Group. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve business goals and objectives. It can therefore only provide reasonable, rather than absolute assurance against material misstatement, fraud or loss.

RISK MANAGEMENT FRAMEWORK

The Board has reviewed the adequacy and effectiveness of the risk management framework and believes firmly that risk management is essential for continued profitability and to safeguard shareholders' investment. Hence, the Group has established a system of risk management framework and internal control comprising clear accountabilities, company procedures/policies, budgeting and evaluation process.

The Group refers to ISO 31000 Risk Management Standard as a guideline for identifying, evaluating, managing and monitoring significant risks by the Group in order to align its risk management processes with the ever-changing business environment.

The Risk Management Committee ("RMC") which comprises the Chief Operating Officer and Departmental Managers/Heads has been entrusted by the Board to appraise and evaluate the effectiveness of the overall risk management and internal control system and report to the Audit Committee on weaknesses and significant risks which will affect the operations, industrial relations, financial position and compliance status of the Group.

Major incidents, if any, are reported to the Risk Management Committee/Board to facilitate their review of the effectiveness of crisis management and the adequacy of mitigating measures taken by the Group to address the underlying risks. Divisions evaluate the risks under their purview, which are subsequently consolidated and prioritised for review by the Risk Management Committee. In addition to reviewing the top risks, the Risk Management Committee maintains oversight of second-tier risks to ensure overall adequacy and effectiveness of risk mitigation plans and controls. Incidents that took place in the industry are also reviewed and learning points applied to strengthen the Group's crisis management processes.

Based on the framework, the RMC has carried out the following:

- establish the strategic context of risk in relation to the Group's risk appetite, i.e. how risks are perceived and the levels at which they are acceptable or otherwise;
- identify risks in relation to the objectives of every business function of the Group's operating companies;
- identify emerging risks faced by the Group in the operating environment;
- assess the likelihood and impact of such risks identified;
- evaluate the severity of the risks and their treatment options to set priority of management's attention and devise appropriate actions; and
- The Risk Management Committee met twice during the financial year to review the adequacy and effectiveness of the risk management measures.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

RISK MANAGEMENT FRAMEWORK (continued)

The Group adopts control objectives and procedures from the ISO 9001 for its day-to-day operational processes and implements Group's standard operating policies to mitigate business risks and negative outcome. The Board meets on a quarterly basis to discuss matters brought to its attention as well as to carry out the review of any potential risks. Strategic risks pertaining to the Group's business are overseen directly by the Board through Audit Committee.

INTERNAL AUDIT

The Board recognises that effective monitoring on a continuous basis is vital for a sound internal control system. In this respect, the Board through the Audit Committee is responsible for the review of the reports on internal control from its internal audit function.

The internal audit function of the Group has been outsourced to an independent professional firm ("**Internal Auditor**") which supports the Audit Committee, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal control.

In particular, the Internal Auditor appraises and contributes towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis. In assessing the adequacy and effectiveness of the system of internal control and financial control procedures of the Group, the Audit Committee reports to the Board on its activities, significant audit results or findings and the necessary recommendations or actions needed to be taken by management to rectify those issues.

The internal audit work plan, which reflects the risk profile of the Group's major business operations is reviewed and approved by the Audit Committee. The scope of Internal Auditor's function covered the audit and review of governance, risk assessment, compliance, operational and financial control across all business units.

INTERNAL CONTROL SYSTEM

The Group's key internal control processes are based on the principles of COSO (Committee of Sponsoring Organisations of the Treadway Commission) Guidance on Internal Controls – Integrated Framework as follows:

Control Environment

- The Group has established a clear vision, mission, corporate philosophy and strategic direction that serve as the road map to the Group's direction and are communicated to employees at all levels.
- The Board is supported by various established committees in discharging its responsibilities that include the Audit Committee, Nomination Committee and Remuneration Committee.
- A defined organisational and reporting structure has been established at all levels within the Group and is aligned to business and operational requirements.
- The Group values ethical conduct, quality, timely delivery and customer satisfaction as project quality and deliverables have a direct impact on the Group's bottom line.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTERNAL CONTROL SYSTEM (continued)

Control Activities

- The ISO procedures and Group's standard operating policies and procedures reflect current practices of the business processes and key functions. Internal control measures and practices have been incorporated into these procedures to enhance controls and monitoring of day-to-day operations. Where relevant, they are periodically reviewed and revised to reflect current practices and relevancy.

- The Group has cascaded down these documented procedures to its employees for implementation. Compliance in their day-to-day operations is monitored by the respective departmental managers to ensure quality of work and products.

- Internal audit and ISO audit are carried out periodically to improve operational efficiencies and consistency of quality of products and work standards.

Information and Communication

- The Group implemented enterprise resource planning system to provide informative and relevant reports, thus assisting in the decision-making process.

- Regular, timely and comprehensive flow of information and reports are submitted to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against strategic plans.

- Management meetings are convened at Group and subsidiaries levels to share information, discuss financial and business development, progress and performance monitoring as well as to decide upon operational matters. The proceedings of these meetings are documented in the minutes for further action and reference.

Monitoring

- Management constantly monitors the gaps and highlighted issues through the conduct of follow-up audits to improve on current processes and internal controls.

- Quarterly reviews on budgets are conducted to highlight any instances of significant variances that arose during the year which may require immediate management action.

- Internal audit reports were discussed with Management and tabled to the Audit Committee for their consideration and further action. Follow-up status reports were also dealt with in similar manner.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received formal assurance from the Chief Operating Officer and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

CONCLUSION

The Board confirmed that ongoing process of identifying, evaluating and managing the Group's risks exists and has operated throughout the year covered in this Annual Report and up to the date of its approval. Based on the reviews of the Group's risk management framework and internal control system, policies and practices performed by the Risk Management Committee and the Management of the Group, the Board is of the view that the Group's risk management and internal control system which the Group considers relevant and material to its operations, was adequate and effective for the current year under review. The Board has found no significant evidence to suggest that the Group's business risks are not being satisfactorily managed.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 March 2018, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement was made in accordance with a resolution of the Board dated 3 July 2018.

AUDIT COMMITTEE REPORT

COMPOSITION

The present members of the Audit Committee (the "Committee") are as follows:

Chairman
Teh Kim Seng – *Independent Non-Executive Director*

Members
Hew Voon Foo – *Independent Non-Executive Director*
Wong Wai Tzing – *Independent Non-Executive Director*
Chen Khai Voon – *Non-Independent Non-Executive Director*

The Board must appoint the members of the Committee from amongst its Directors which fulfils the following requirements:-

(a) the Committee must be composed of not fewer than three (3) members;

(b) all the Committee members must be non-executive directors, with a majority of them being independent directors;

(c) at least one (1) Member of the Committee:-

(i) must be a member of the Malaysian Institute of Accountants ("MIA"); or

(ii) if he/she is not a member of MIA, he/she must have at least three (3) years of working experience and:-

(a) he/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

(b) he/she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

(iii) fulfil such other requirements as may from time to time be prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

MEETINGS

During the financial year, a total of five (5) meetings were held and the attendance of each of Committee member at the Committee meetings was as follows:-

Committee Member	Meeting Attendance
Teh Kim Seng *(Re-designated from Member to Chairman on 28 February 2018)*	5/5
Hew Voon Foo *(Re-designated from Chairman to Member on 28 February 2018)*	5/5
Wong Wai Tzing	5/5
Chen Khai Voon	4/5

The Internal Auditors attended three (3) of the meetings held during the financial year. Other Senior Management Personnel and the External Auditors also attended these meetings upon invitation by the Committee.

The Committee met at pre-scheduled times, with due notices of meetings issued, and with agendas planned and itemised so that matters were deliberated and discussed in a detailed manner. The minutes of each Committee meeting held was distributed to each Board member at subsequent Board meeting. At each Board meeting, the Committee Chairman briefs the Board pertaining to matters deliberated at the Committee meeting held earlier.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

The full Terms of Reference of the Committee is available at the Company's website at www.genetec.net.

REVIEW OF THE COMMITTEE

The Board, through the Nomination Committee, reviews the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference. The Nomination Committee is satisfied that the Committee and its members discharged their functions, duties and responsibilities in accordance with the Committee's Terms of Reference, supporting the Board in ensuring the Group upholds appropriate corporate governance standards.

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE COMMITTEE

During the financial year, the Committee had carried out the following activities to meet their duties and responsibilities as set out in the terms of reference:

Financial Reporting

(i) Reviewed the Company's unaudited quarterly financial results including the announcements pertaining thereto, for recommendation to the Board for approval;

(ii) Reviewed the consolidated audited financial statements of the Company and the Group which were drawn up in accordance with the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards and the requirements of Companies Act 2016 for recommendation to the Board for approval.

External Audit

(i) Reviewed and approved the audit plan for the Company and the Group for the financial year ended 31 March 2018 covering the engagement team, materiality, audit scope, audit methodology and timing of audit, audit focus area, significant accounting policies/disclosures, false and misleading financial statements, directors' responsibilities, auditors' responsibilities and auditors' independence.

(ii) Reviewed the External Auditors' status of the audit for the financial year ended 31 March 2017.

(iii) Undertook annual assessment of the performance and independence of the External Auditors via an evaluation survey questionnaires based on competency, efficiency and transparency as demonstrated by the External Auditors during their audit and recommended the re-appointment of External Auditors to the Board.

(iv) Reviewed the audit fees of the External Auditors for the ensuring year prior to the Board for approval.

(v) Reviewed the non-audit services rendered by the External Auditors to the Group for the financial year under review prior to engagement. The External Auditors also reported to the Committee their policies and measures taken to ensure independence and objectivity is maintained.

(vi) Met with the External Auditors twice without the presence of Executive Directors and management team of the Company to discuss any issues of concern to the External Auditors arising from the annual audit. There were no major issue raised during the meeting.

The External Auditors provided assurance that they were and had been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE COMMITTEE (continued)

Internal Audit

(i) Reviewed and considered the appointment of outsourced internal auditors for recommendation to the Board for approval.

(ii) Reviewed internal audit plan and considered the proposed internal audit fees for the year 2017 to 2019 for recommendation to the Board for approval.

(iii) Reviewed and discussed the Internal Audit Reports which consist of the findings, recommendations and the Management responses to ensure that all key risks will be addressed and adequate controls put in place on timely basis.

(iv) Reviewed Internal Auditors' follow up reports on outstanding audit issues to monitor the effectiveness of corrective actions taken by the management.

(v) Reviewed the effectiveness of the internal control and governance processes within the Group.

(vi) Assessed the Internal Auditors effectiveness to ensure consistency with the approved plans and the relevant professional standards and reviewed the proficiency, resources and independence of the Internal Auditors.

The Internal Auditors provided written assurance to the Committee that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout and audit engagement.

Related Party Transactions

(i) Reviewed the recurrent related party transactions ("RRPT") entered into by the Group on quarterly basis.

(ii) Reviewed any related party transactions and conflict of interest situations that may arise within the Company and the Group.

(iii) Reviewed the draft Circular to Shareholders with regard to the proposed renewal of shareholders' mandate for existing recurrent related party transactions of a revenue or trading nature of the Group including the adequacy and appropriateness of the procedures for RRPT and the Audit Committee Statement stated therein.

Other matters

(i) Reviewed and recommended the Statement on Risk Management and Internal Control; and Audit Committee Report for inclusion in the Company's Annual Report for Board approval.

INTERNAL AUDIT FUNCTIONS/ACTIVITIES AND COSTS

The Group's internal audit functions are outsourced to, CGRM Infocomm Sdn Bhd, an independent professional firm, who reports directly to the Committee and assists the Board of Directors in monitoring and managing risks and internal controls.

CGRM Infocomm Sdn Bhd is totally independent and maintains its objectivity during the conduct of audits as it does not involve in day-to-day operations of the Group. The director in-charge is a Certified Internal Auditor and professional member of the Institute of Internal Auditors with many years of internal audit experience.

The Internal Audit Charter sets out the terms of reference, role, organisation status, responsibility and authority of internal audit function within the Group. The scope of internal audit covers the audits on risk management, internal control, governance and compliance activities of the Group. The reviews were carried out with reference to the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTIONS/ACTIVITIES AND COSTS (continued)

The approach adopted by the Group is of a risk based approach to assess and review the implementation and monitoring of controls of the Group. The audit encompasses the following activities:

- Review and assess the risk management and governance structure of the Group.
- Review and appraise the soundness, adequacy and application of accounting, financial and other key controls promoting effective control in the Group.
- Ascertain the extent to which the Group's assets are safeguarded.
- Ascertain the level of compliance to the Group policy and procedures.
- Recommend improvements to the existing system of risk management, internal control and governance.

During the financial year, the Internal Auditors undertook the following activities:

(a) prepared a 2-year internal audit plan of the Group for approval by the Committee;

(b) completed 3 reviews as per the approved risk-based internal audit plan is as follows:

Name of Entity Audited	Audited Areas
CLT Engineering Sdn Bhd	• Human Resource Management • Design & Development • Intellectual Property Management
Genetec Technology Berhad	• Corporate Governance Review

(c) discussed with auditees, process owners and management on the observations and recommended action plans to mitigate the identified risk or control improvements required following each audit review;

(d) prepared internal audit reports and presented them to the Committee, on the internal audit observations and issues identified, together with recommendations and management's agreed action plans for improvements to address the observations/issues;

(e) followed up and reported to the Committee on the status of implementation of all the management agreed action plans from the previous internal audit reports to ensure that all matters arising are adequate addressed by the management.

(f) prepared a progress report summarising the internal audit reviews completed and reports presented to the Committee during the financial year.

The costs of the internal audit function paid to CGRM Infocomm Sdn Bhd for the financial year ended 31 March 2018 was RM43,860.15 (2017 : RM73,812.89).

FINANCIAL STATEMENTS

DIRECTORS' REPORT
For the Year Ended 31 March 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, designing and building of customised factory automation equipment and integrated vision inspection systems from conceptual design, development of prototype to mass replication of equipment, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	3,661,485	2,706,376
Non-controlling interests	1,455,474	-
	5,116,959	2,706,376

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

No dividend was paid during the year and the Directors do not recommend any dividend to be paid in respect of the financial year under review.

DIRECTORS OF THE COMPANY

Directors who served during the financial year and up to the date of this report are:

Chin Kem Weng
Tan Moon Teik
Hew Voon Foo
Wong Wai Tzing
Teh Kim Seng
Chen Khai Voon

DIRECTORS' REPORT
For the Year Ended 31 March 2018

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.4.2017	Bought	Sold	At 31.3.2018
Interests in the Company:				
Chin Kem Weng				
- Direct	2,099,450	-	(51,300)	2,048,150
Tan Moon Teik				
- Direct	1,860,200	-	-	1,860,200
Chen Khai Voon				
- Indirect ^	4,880,000	-	(316,000)	4,564,000

	Number of options over ordinary shares			
	At 1.4.2017	Granted	Exercised	At 31.3.2018
Chin Kem Weng	-	530,000	-	530,000
Tan Moon Teik	-	500,000	-	500,000
Hew Voon Foo	-	100,000	-	100,000
Wong Wai Tzing	-	100,000	-	100,000
Teh Kim Seng	-	100,000	-	100,000
Chen Khai Voon	-	100,000	-	100,000

^ *Deemed interest through shares held in KVC Corporation Sdn. Bhd., by virtue of Section 8(4) of the Companies Act 2016.*

By virtue of their interests in the shares of the Company, the Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Genetec Technology Berhad has an interest.

None of the other Directors holding office at 31 March 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT
For the Year Ended 31 March 2018

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, apart from the issue of the Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

a) 317,200 new ordinary shares at RM1.10 per ordinary share via special bumiputera issue for a total consideration of RM348,920 to be used as working capital purposes.

b) 3,231,900 new ordinary shares of RM1.05 per ordinary share via a private placement to eligible investors for a total consideration of RM3,393,495 to be used as working capital purposes.

c) 710,000 new ordinary shares for cash pursuant to the exercise of employees' share options at a weighted average exercise price of RM1.01 per ordinary share.

There were no other changes in the issued and paid up of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year, apart from the issue of options pursuant to the ESOS.

At an extraordinary general meeting held on 5 August 2010, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued share capital of the Company at any point in time during the tenure of the ESOS, to eligible Directors and employees of the Group. On 19 August 2015, the Board of Directors of the Company had given its approval to extend the existing ESOS which was expiring on 29 September 2015 ("Expiry Date") for a further five (5) years from the Expiry Date.

The salient features of the ESOS scheme are as follows:

i) Eligible employees are those who must be at least eighteen (18) years of age, employed on a full time basis by any company in the Group and must have been confirmed in service on the date of offer.

ii) The option is personal to the grantee and is non-assignable and non-transferable.

iii) The option price shall be determined based on the weighted average market price of the Company's ordinary shares for the five (5) market days preceding the date of offer with a discount of not more than ten percent (10%), and not less than the par value of the ordinary shares of the Company.

iv) The ESOS shall be in force for a period of five (5) years from the date of implementation of the Proposed New ESOS. However, an extension to the scheme may be effected by the Company upon recommendation of the Option Committee, subject to an aggregate duration of ten (10) years from the date of commencement.

DIRECTORS' REPORT
For the Year Ended 31 March 2018

OPTIONS GRANTED OVER UNISSUED SHARES (continued)

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of offer	Exercise price	At 1.4.2017	Granted	Exercised	At 31.3.2018
19 December 2017	RM1.01	-	5,323,600	710,000	4,613,600

INDEMNITY AND INSURANCE COSTS

During the financial year, there was no indemnity given to or insurance effected for Directors and officers of the Group and of the Company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

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

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the share-based payment expenses and disposal of a subsidiary as disclosed in Note 13 and Note 19 to the financial statements respectively, the financial performance of the Group and of the Company for the financial year ended 31 March 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT
For the Year Ended 31 March 2018

SIGNIFICANT EVENTS

The significant events are disclosed in Note 28 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

Chin Kem Weng
Director

Tan Moon Teik
Director

Bandar Baru Bangi, Selangor

Date: 3 July 2018

STATEMENTS OF FINANCIAL POSITION
As at 31 March 2018

	Note	Group		Company	
		2018	2017	2018	2017
		RM	RM	RM	RM
Assets					
Property, plant and equipment	3	36,285,300	35,773,018	15,823,477	15,172,336
Goodwill	4	15,559,876	15,559,876	-	-
Investments in subsidiaries	5	-	-	29,746,809	29,746,809
Total non-current assets		51,845,176	51,332,894	45,570,286	44,919,145
Inventories	6	14,663,386	6,943,254	11,259,946	5,226,275
Derivative financial assets	7	1,313,566	-	1,313,566	-
Trade and other receivables	8	26,190,458	27,150,233	8,744,742	13,198,353
Prepayments		126,670	81,562	126,670	81,562
Current tax assets		1,081,331	735,873	696,434	438,041
Other investment	9	6,335,375	6,125,464	6,335,375	6,125,464
Cash and cash equivalents	10	16,118,866	5,849,111	12,393,232	2,721,624
Total current assets		65,829,652	46,885,497	40,869,965	27,791,319
Total assets		117,674,828	98,218,391	86,440,251	72,710,464
Equity					
Share capital		58,441,778	53,552,713	58,441,778	53,552,713
Reserves		10,861,961	3,987,912	10,515,220	5,017,616
Equity attributable to owners of the Company	11	69,303,739	57,540,625	68,956,998	58,570,329
Non-controlling interests		8,152,652	5,754,984	-	-
Total equity		77,456,391	63,295,609	68,956,998	58,570,329
Liabilities					
Loans and borrowings	12	11,266,854	11,337,736	4,089,416	4,215,988
Deferred tax liabilities	14	1,044,238	842,908	-	201,502
Total non-current liabilities		12,311,092	12,180,644	4,089,416	4,417,490
Loans and borrowings	12	9,704,717	4,182,833	9,170,459	3,389,289
Derivative financial liabilities	7	-	296,834	-	296,834
Trade and other payables	15	18,202,628	18,262,471	4,223,378	6,036,522
Total current liabilities		27,907,345	22,742,138	13,393,837	9,722,645
Total liabilities		40,218,437	34,922,782	17,483,253	14,140,135
Total equity and liabilities		117,674,828	98,218,391	86,440,251	72,710,464

The notes on pages 47 to 104 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2018

		Group		Company	
	Note	2018	2017	2018	2017
		RM	RM	RM	RM
			Restated		
Revenue	16	101,027,639	70,345,579	52,354,874	44,139,634
Cost of sales		(82,507,660)	(61,611,676)	(40,942,833)	(39,628,231)
Gross profit		18,519,979	8,733,903	11,412,041	4,511,403
Other income		5,561,113	5,057,949	4,188,660	2,272,996
Distribution expenses		(2,215,242)	(1,821,452)	(1,683,510)	(1,272,259)
Administrative expenses		(10,710,423)	(5,642,283)	(7,206,617)	(3,703,251)
Other expenses		(4,156,944)	(8,535,068)	(3,579,717)	(3,191,461)
Results from operating activities		6,998,483	(2,206,951)	3,130,857	(1,382,572)
Finance income		112,419	77,005	105,017	65,246
Finance costs	17	(1,218,312)	(986,983)	(823,002)	(538,266)
Profit/(Loss) before tax		5,892,590	(3,116,929)	2,412,872	(1,855,592)
Tax expense	18	(113,926)	(58,382)	293,504	402,756
Profit/(Loss) from continuing operations		5,778,664	(3,175,311)	2,706,376	(1,452,836)
Discontinued operation					
Loss from discontinued operations	19	(661,705)	(460,720)	-	-
Profit/(Loss) for the year	20	5,116,959	(3,636,031)	2,706,376	(1,452,836)
Other comprehensive expense, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		976,796	(725,895)	-	-
Realisation of translation reserve arising from disposal of a subsidiary		(456,660)	-	-	-
Total other comprehensive expense for the year, net of tax		520,136	(725,895)	-	-
Total comprehensive income/(expense) for the year		5,637,095	(4,361,926)	2,706,376	(1,452,836)

The notes on pages 47 to 104 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2018

	Note	Group 2018 RM	Group 2017 RM Restated	Company 2018 RM	Company 2017 RM
Profit/(Loss) attributable to:					
Owners of the Company		3,661,485	(4,027,407)	2,706,376	(1,452,836)
Non-controlling interests		1,455,474	391,376	-	-
Profit/(Loss) for the year		5,116,959	(3,636,031)	2,706,376	(1,452,836)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		4,082,821	(4,592,739)	2,706,376	(1,452,836)
Non-controlling interests		1,554,274	230,813	-	-
Total comprehensive income/(expense) for the year		5,637,095	(4,361,926)	2,706,376	(1,452,836)
Basic earnings/(loss) per ordinary share (sen):	22				
- from continuing operations		11.11	(10.78)		
- from discontinued operation		(0.94)	(0.67)		
		10.17	(11.45)		
Diluted earnings/(loss) per ordinary share (sen):	22				
- from continuing operations		11.03	(10.78)		
- from discontinued operation		(0.93)	(0.67)		
		10.10	(11.45)		

The notes on pages 47 to 104 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2018

Group	Note	Share capital RM	Share premium RM	Share Option reserve RM	Translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company							
			Non-Distributable			Distributable			
At 1 April 2016		35,173,800	18,378,913	-	(767,509)	9,348,160	62,133,364	5,524,171	67,657,535
Foreign currency translation differences for foreign operations		-	-	-	(565,332)	-	(565,332)	(160,563)	(725,895)
Total other comprehensive expense for the year		-	-	-	(565,332)	-	(565,332)	(160,563)	(725,895)
Loss for the year		-	-	-	-	(4,027,407)	(4,027,407)	391,376	(3,636,031)
Total comprehensive expense for the year		-	-	-	(565,332)	(4,027,407)	(4,592,739)	230,813	(4,361,926)
Transfer in accordance with Section 618(2) of the Companies Act 2016		18,378,913	(18,378,913)	-	-	-	-	-	-
At 31 March 2017		53,552,713	-	-	(1,332,841)	5,320,753	57,540,625	5,754,984	63,295,609
At 1 April 2017		53,552,713	-	-	(1,332,841)	5,320,753	57,540,625	5,754,984	63,295,609
Foreign currency translation differences for foreign operations		-	-	-	877,996	-	877,996	98,800	976,796
Realisation of translation reserve from disposal of subsidiary		-	-	-	(456,660)	-	(456,660)	-	(456,660)
Total other comprehensive expense for the year		-	-	-	421,336	-	421,336	98,800	520,136
Profit for the year		-	-	-	-	3,661,485	3,661,485	1,455,474	5,116,959
Total comprehensive income for the year		-	-	-	421,336	3,661,485	4,082,821	1,554,274	5,637,095
Share options exercised		1,146,650	-	(429,550)	-	-	717,100	-	717,100
Share-based payment transactions	13	-	-	3,220,778	-	-	3,220,778	-	3,220,778
Issue of ordinary shares		3,742,415	-	-	-	-	3,742,415	-	3,742,415
		4,889,065	-	2,791,228	-	-	7,680,293	-	7,680,293
Disposal of non-controlling interests	19	-	-	-	-	-	-	948,457	948,457
Changes in ownership interests in a subsidiary	5	-	-	-	-	-	-	(105,063)	(105,063)
Total transactions with owners of the Company		4,889,065	-	2,791,228	-	-	7,680,293	843,394	8,523,687
At 31 March 2018		58,441,778	-	2,791,228	(911,505)	8,982,238	69,303,739	8,152,652	77,456,391
		Note 11	Note 11	Note 11	Note 11				

The notes on pages 47 to 104 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 March 2018

Company	Note	Share capital	Share premium	Share option reserve	Retained earnings	Total equity
		Attributable to owners of the Company				
		Non-distributable			*Distributable*	
		RM	RM	RM	RM	RM
At 1 April 2016		35,173,800	18,378,913	-	6,470,452	60,023,165
Loss and total comprehensive expense for the year		-	-	-	(1,452,836)	(1,452,836)
Transfer in accordance with Section 618(2) of the Companies Act 2016		18,378,913	(18,378,913)	-	-	-
At 31 March 2017/1 April 2017		53,552,713	-	-	5,017,616	58,570,329
Profit and total comprehensive income for the year		-	-	-	2,706,376	2,706,376
Share options exercised		1,146,650	-	(429,550)	-	717,100
Share-based payment transactions	13	-	-	3,220,778	-	3,220,778
Issue of ordinary shares		3,742,415	-	-	-	3,742,415
At 31 March 2018		58,441,778	-	2,791,228	7,723,992	68,956,998
		Note 11	Note 11	Note 11		

The notes on pages 47 to 104 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 March 2018

	Note	Group 2018 RM	Group 2017 RM Restated	Company 2018 RM	Company 2017 RM
Cash flows from operating Activities					
Profit/(Loss) before tax from:					
- continuing operations		5,892,590	(3,116,929)	2,412,872	(1,855,592)
- discontinued operations	19	(217,565)	(460,720)	-	-
		5,675,025	(3,577,649)	2,412,872	(1,855,592)
Adjustments for:					
Depreciation of property, plant and equipment	3	2,234,007	2,263,286	900,578	947,889
Finance costs	16	1,218,312	986,983	823,002	538,266
Interest income		(112,419)	(77,005)	(105,017)	(65,246)
(Gain)/Loss on disposal of property, plant and equipment, net		(148,189)	478,354	(108,044)	-
Property, plant and equipment written off		257	217,800	257	217,799
Impairment loss on amounts due from subsidiaries		-	-	10,410	6,306
Inventories written off		-	20,800	-	20,800
Impairment loss on trade receivables		403,812	268,827	403,812	-
Equity settled share-based payment transactions		3,220,778	-	2,638,103	-
Bad debts recovered		-	(3,150)	-	(3,150)
Write (back)/down of inventories		(14,796)	392,905	(14,796)	59,705
Change in fair value of other investment		(209,911)	(125,464)	(209,911)	(125,464)
Net unrealised derivative (gain)/loss		(1,313,566)	296,834	(1,313,566)	296,834
Net unrealised foreign exchange loss/(gain)		409,728	(227,117)	379,564	(224,976)
Impairment loss on investment in subsidiary		-	-	-	1,500,000
Impairment loss on goodwill		-	5,000,000	-	-
Reversal of impairment loss on trade receivables		(56,318)	-	-	-
Operating profit before working capital changes		11,306,720	5,915,404	5,817,264	1,313,171
Changes in working capital:					
Inventories		(7,705,336)	4,925,324	(6,018,875)	6,133,971
Trade and other receivables, prepayments and derivative financial assets		(131,643)	(8,023,278)	4,204,124	(4,006,034)
Trade and other payables and derivative financial liabilities		168,565	3,148,433	(2,116,710)	2,233,563
Cash generated from operations		3,638,306	5,965,883	1,855,803	5,674,671
Income tax paid		(258,054)	(312,812)	(166,391)	(195,754)
Net cash from operating activities		3,380,252	5,653,071	1,719,412	5,478,917

The notes on pages 47 to 104 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Year Ended 31 March 2018

	Note	Group 2018 RM	Group 2017 RM Restated	Company 2018 RM	Company 2017 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(1,415,793)	(138,330)	(796,007)	(101,830)
Interest received		112,419	77,005	105,017	65,246
Proceeds from disposal of property, plant and equipment		209,358	1,665,446	132,075	-
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	19	(273,560)	-	-	-
Acquisition of other investment		-	(6,000,000)	-	(6,000,000)
Acquisition of non-controlling interests		(20,000)	-	-	-
Proceeds from disposal of other investment		-	300,000	-	300,000
Net cash used in investing activities		(1,387,576)	(4,095,879)	(558,915)	(5,736,584)
Cash flows from financing activities					
Proceed from issuance of shares		4,459,515	-	4,459,515	-
Net drawdown/(repayment) of trade finance facilities		5,579,742	(854,065)	5,579,742	(854,065)
Repayment of term loans		(1,298,847)	(1,487,856)	(549,136)	(516,364)
Interest paid on loans and borrowings		(1,218,312)	(986,983)	(823,002)	(538,266)
Repayment of finance lease liabilities		(221,893)	(182,499)	(156,008)	(71,281)
Net cash from/(used in) financing activities		7,300,205	(3,511,403)	8,511,111	(1,979,976)
Net increase/(decrease) in cash and cash equivalents		9,292,881	(1,954,211)	9,671,608	(2,237,643)
Effect of exchange rate fluctuations on cash held		976,876	(864,387)	-	-
Cash and cash equivalents at beginning of financial year	(ii)	5,849,111	8,667,709	2,721,624	4,959,267
Cash and cash equivalents at end of financial year	(ii)	16,118,866	5,849,111	12,393,232	2,721,624

The notes on pages 47 to 104 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Year Ended 31 March 2018

(i) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM2,807,793 (2017: RM138,330) and RM1,576,007 (2017: RM101,830) respectively, of which RM1,392,000 (2017: Nil) and RM780,000 (2017: Nil) were acquired by means of finance leases.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2018	2017	2018	2017
		RM	RM	RM	RM
Cash and bank balances	10	16,118,866	5,849,111	12,393,232	2,721,624

NOTES TO THE FINANCIAL STATEMENTS

Genetec Technology Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business/Registered office
Lot 7, Jalan P10/11, Seksyen 10
Kawasan Perusahaan Bangi
43650 Bandar Baru Bangi
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 March 2018 do not include other entities.

The Company is principally engaged in investment holding, designing and building of customised factory automation equipment and integrated vision inspection systems from conceptual design, development of prototype to mass replication of equipment, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 3 July 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

NOTES TO THE FINANCIAL STATEMENTS

1. **BASIS OF PREPARATION** (continued)

(a) **Statement of compliance** (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employment Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned applicable accounting standards, amendments and interpretations, where applicable: -

- from the annual period beginning on 1 April 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018,

- from the annual period beginning on 1 April 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019; and

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

(i) **MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, of *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

NOTES TO THE FINANCIAL STATEMENTS

1. **BASIS OF PREPARATION** (continued)

(a) **Statement of compliance** (continued)

(i) **MFRS 15, *Revenue from Contracts with Customers*** (continued)

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, any bundled goods or services that are distinct should be separately recognised and any discounts or rebates on the contract price should generally be allocated to the separate elements. Consideration payable to a customer should be accounted for as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point of time at the end of a contract may have to be recognised over the contract term and vice versa. As with any new standard, there are also increased disclosures.

Based on the assessments undertaken to date, the Group and the Company do not expect that the MFRS 15 will have any significant impact on accounting for its revenue recognition.

(ii) **MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Group and the Company do not expect that the application of the new classifications nor the forward-looking expected credit loss (ECL) model will have a material impact on accounting for its financial assets.

(iii) **MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

NOTES TO THE FINANCIAL STATEMENTS

1. **BASIS OF PREPARATION** (continued)

   (a) **Statement of compliance** (continued)

   (iii) **MFRS 16, *Leases*** (continued)

   The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

   (b) **Basis of measurement**

   The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

   (c) **Functional and presentation currency**

   These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

   (d) **Use of estimates and judgements**

   The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

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

   There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

   (i) **Impairment of goodwill**

   The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating unit (or a group of cash-generating units) to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or a group of cash-generating units) and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used in the goodwill impairment assessment are disclosed in Note 4.

   (ii) **Inventories write-down**

   Inventories write-down is made based on their net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less cost to completion and selling expenses. The amount written down during the financial year is shown in Note 6 and Note 20.

   (iii) **Impairment of receivables**

   Impairment loss is made for receivables that the management considers the recoverability to be doubtful. On a regular basis, the management reviews the receivables ageing report and repayment history for any objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisition of non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

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

(v) Non-controlling interests

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

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (“FCTR”) in equity.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

(c) **Financial instruments** (continued)

(ii) **Financial instrument categories and subsequent measurement** (continued)

Financial assets (continued)

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair values arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets (continued)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	50 years
Buildings	50 years
Electrical equipment, renovation, furniture and fittings	5 - 13 years
Plant and machineries	10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets (continued)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

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

(f) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates.

Goodwill with indefinite useful life is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Inventories

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

The cost of inventories is measured based on first-in-first-out formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks which are used by the Group and the Company in the management of their short term commitments.

(i) Impairment

(i) Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee benefits (continued)

(iii) Share-based payment transactions (continued)

The fair value of the employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) Rental income

Rental income from sub-leased property is recognised as other income in profit or loss.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(n) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Affiliate

An affiliate is a company which exercises significant influence over the financial and operating policies of the Company.

(p) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Operating Officer ("COO") of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land	Buildings	Electrical equipment, renovation, furniture and fittings	Plant and machineries	Motor vehicles	Total
	RM	RM	RM	RM	RM	RM
Cost						
At 1 April 2016	3,826,176	31,319,919	7,213,106	9,523,708	1,575,381	53,458,290
Additions	-	-	131,980	6,350	-	138,330
Disposals	(1,059,688)	(834,615)	(564,193)	-	(3,150)	(2,461,646)
Written off	-	-	(913,139)	(86,000)	-	(999,139)
Effect of movements in exchange rates	80,102	77,872	5,482	7,968	-	171,424
At 31 March 2017/1 April 2017	2,846,590	30,563,176	5,873,236	9,452,026	1,572,231	50,307,259
Additions	-	-	846,814	45,000	1,915,979	2,807,793
Disposals	-	-	(32,375)	(496,712)	(620,328)	(1,149,415)
Written off	-	-	(56,007)	-	-	(56,007)
Effect of movements in exchange rates	-	-	(170)	(248)	-	(418)
At 31 March 2018	2,846,590	30,563,176	6,631,498	9,000,066	2,867,882	51,909,212
Depreciation						
At 1 April 2016	494,213	3,084,234	3,864,324	5,168,341	726,096	13,337,208
Depreciation for the year	56,932	634,708	541,460	779,816	250,370	2,263,286
Disposals	-	(183,650)	(132,517)	-	(1,679)	(317,846)
Written off	-	-	(695,340)	(85,999)	-	(781,339)
Effect of movements in exchange rates	-	-	(776)	33,708	-	32,932
At 31 March 2017/1 April 2017	551,145	3,535,292	3,577,151	5,895,866	974,787	14,534,241
Depreciation for the year	56,932	613,467	505,479	724,177	333,952	2,234,007
Disposals	-	-	(32,352)	(451,567)	(604,327)	(1,088,246)
Written off	-	-	(55,750)	-	-	(55,750)
Effect of movements in exchange rates	-	-	(187)	(153)	-	(340)
At 31 March 2018	608,077	4,148,759	3,994,341	6,168,323	704,412	15,623,912
Carrying amounts						
At 1 April 2016	3,331,963	28,235,685	3,348,782	4,355,367	849,285	40,121,082
At 31 March 2017/1 April 2017	2,295,445	27,027,884	2,296,085	3,556,160	597,444	35,773,018
At 31 March 2018	2,238,513	26,414,417	2,637,157	2,831,743	2,163,470	36,285,300

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Land	Buildings	Electrical equipment, renovation, furniture and fittings	Plant and machineries	Motor vehicles	Total
	RM	RM	RM	RM	RM	RM
Cost						
At 1 April 2016	2,846,590	13,128,649	4,321,625	4,621,848	1,428,080	26,346,792
Additions	-	-	95,480	6,350	-	101,830
Written off	-	-	(913,139)	-	-	(913,139)
At 31 March 2017/1 April 2017	2,846,590	13,128,649	3,503,966	4,628,198	1,428,080	25,535,483
Additions	-	-	824,990	45,000	706,017	1,576,007
Disposal	-	-	-	(325,348)	(480,021)	(805,369)
Written off	-	-	(56,007)	-	-	(56,007)
At 31 March 2018	2,846,590	13,128,649	4,272,949	4,347,850	1,654,076	26,250,114
Depreciation						
At 1 April 2016	494,213	1,891,582	2,675,620	4,276,812	772,371	10,110,598
Depreciation for the year	56,932	262,573	265,439	157,789	205,156	947,889
Written off	-	-	(695,340)	-	-	(695,340)
At 31 March 2017/1 April 2017	551,145	2,154,155	2,245,719	4,434,601	977,527	10,363,147
Depreciation for the year	56,932	262,573	261,208	73,522	246,343	900,578
Disposal	-	-	-	(317,318)	(464,020)	(781,338)
Written off	-	-	(55,750)	-	-	(55,750)
At 31 March 2018	608,077	2,416,728	2,451,177	4,190,805	759,850	10,426,637
Carrying amounts						
At 1 April 2016	2,352,377	11,237,067	1,646,005	345,036	655,709	16,236,194
At 31 March 2017/1 April 2017	2,295,445	10,974,494	1,258,247	193,597	450,553	15,172,336
At 31 March 2018	2,238,513	10,711,921	1,821,772	157,045	894,226	15,823,477

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Security

At 31 March 2018, land and buildings of the Group and of the Company with carrying amounts of RM28,652,930 (2017: RM29,323,329) and RM12,950,434 (2017: RM13,269,939) respectively are charged to a bank as security for term loans granted to the Group and the Company (see Note 12).

3.2 Leased assets

The net carrying amounts of property, plant and equipment acquired under hire purchase agreements are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Plant and machineries	300,800	-	300,800	-
Motor vehicles	1,643,188	573,160	894,222	426,547
	1,943,988	573,160	1,195,022	426,547

3.3 Land

Included in the carrying amounts of land are:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Leasehold land with unexpired lease period of more than 50 years	2,238,513	2,295,445	2,238,513	2,295,445
	2,238,513	2,295,445	2,238,513	2,295,445

4. GOODWILL

	Group
	RM
Cost	
At beginning/end of financial year	20,559,876
Accumulated impairment loss	
At beginning/end of financial year	5,000,000
Carrying amount	
At beginning/end of financial year	15,559,876

NOTES TO THE FINANCIAL STATEMENTS

4. GOODWILL (continued)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Company's subsidiary, CLT Engineering Sdn. Bhd., which represents the lowest level within the Group, at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the business units are based on value in use calculations, determined by discounting the pre-tax cash flow projections. The financial budget 2019 approved by the Board of Directors is used as the base in the preparation of cash flow projections. The cash flows beyond 2019 are projected for a five-year period and extrapolated to terminal value using estimated growth rates stated below. The growth rate does not exceed the average historical growth rate over the long term for the industry.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units and was based on the following key assumptions:

- There will be no material change in structure and principal activities of cash-generating units.
- Sales are expected to grow at 5.0% (2017: 5.0%) per annum.
- Gross profit margin ranges from 16% to 17% (2017: 19% to 20%).
- General and administrative expenses are expected to increase at 5.0% (2017: 5.0%) per annum taking into account inflationary pressure on prices.
- A pre-tax discount rate of 12.0% (2017: 12.0%) was applied in determining the recoverable amount of the cash-generating unit. The discount rate was estimated based on the industry-specific context.
- Terminal growth rate is expected to be 3.5% (2017: 3.5%) per annum.

The values assigned to the key assumptions represent management's assessment of future trends in the business units' principal activities and are based on both external sources and internal sources (historical data).

The above estimates are particularly sensitive to the discount rate, sales growth and terminal growth rate. The sensitivity analysis is presented at below:-

- Impairment loss amounted to RM0.7 million would have occurred had the discount rate increased by 2%.
- Impairment loss amounted to RM1 million would have occurred had the future planned revenue decreased by 4%.
- Impairment loss amounted to RM0.7 million would have occurred had the terminal growth rate decreased by 3%.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES

	Company RM
Cost	
At beginning/end of financial year	31,456,804
Accumulated impairment loss	
At 1 April 2016	209,995
Impairment loss	1,500,000
At 31 March 2017/1 April 2017	1,709,995
Impairment loss	-
At 31 March 2018	1,709,995
Carrying amount	
At 1 April 2016	31,246,809
At 31 March 2017/1 April 2017	29,746,809
At 31 March 2018	29,746,809

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018	2017
CLT Engineering Sdn. Bhd.	Malaysia	Fabrication of machine parts and toolings for equipment and replications of systems and equipment.	51%	51%
FAS Manufacturing Sdn. Bhd. @	Malaysia	Fabrication of machine parts and tooling for equipment. The company has temporarily ceased operations.	100%	60%
FAS Technology Solution Sdn. Bhd. @	Malaysia	Design and development of standard automated industrial equipment. The company has temporarily ceased operations.	100%	60%
Genetec Global Technologies, Inc. #, @	United States of America	The company is dormant.	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018	Effective ownership interest and voting interest 2017
Subsidiary of CLT Engineering Sdn. Bhd.				
CLT Engineering (Thailand) Co., Ltd. @	Thailand	Provision of fabrication system integration and engineering services and products.	-	51%
Subsidiary of Genetec Global Technologies, Inc.				
IP Systems, Inc. #, @	United States of America	The company is dormant.	60%	60%

\# *Subsidiaries consolidated based on unaudited financial statements.*
@ *Not audited by KPMG PLT.*

(i) Acquisition of non-controlling interests

During the year, the Group acquired additional 100,000 and 40,000 ordinary shares representing 40% equity interest in FAS Manufacturing Sdn. Bhd. ("FASM") and FAS Technology Solution Sdn. Bhd. ("FAST") respectively increasing the Group's interest in the respective entities from 60% to 100%. The total consideration paid for the acquisition was RM20,000. The effect of acquisition of non-controlling interest is not significant to the Group.

(ii) Disposal of investment in a subsidiary

On 17 January 2018, CLT Engineering Sdn. Bhd., a 51% owned subsidiary of the Company had completed the disposal of its entire 100% equity interest in CLT Engineering (Thailand) Co. Ltd. ("CLT Thailand") with a total consideration of 1,000 Thai Baht (equivalent to approximately RM125.00). In this regard, CLT Thailand had ceased to be a wholly-owned subsidiary of CLT Engineering Sdn. Bhd. and an indirect subsidiary of the Company. Accordingly, the results arising from the disposal of CLT Thailand are presented as discontinued operation in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	CLT Engineering Sdn. Bhd.	Other subsidiaries with individually immaterial NCI	Total
2018			
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI (RM)	14,030,875	(5,878,223)	8,152,652
Profit allocated to NCI (RM)	1,550,733	(95,259)	1,455,474
Summarised financial information before intra-group elimination			
As at 31 March	**RM**		
Non-current assets	20,461,822		
Current assets	25,542,613		
Non-current liabilities	(8,224,336)		
Current liabilities	(9,145,661)		
Net assets	28,634,438		
Year ended 31 March	**RM**		
Revenue	48,948,045		
Profit for the year	3,164,761		
Cash flows used in operating activities	3,887,279		
Cash flows used in investing activities	(1,157,197)		
Cash flows used in financing activities	(598,869)		
Net Increase in cash and cash equivalents	2,131,213		

NOTES TO THE FINANCIAL STATEMENTS

5. **INVESTMENTS IN SUBSIDIARIES** (continued)

Non-controlling interests in subsidiaries (continued)

	CLT Engineering Sdn. Bhd.	Other subsidiaries with individually immaterial NCI	Total
2017			
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI (RM)	12,480,142	(6,725,158)	5,754,984
Profit allocated to NCI (RM)	746,072	(354,696)	391,376
Summarised financial information before intra-group elimination			
As at 31 March	**RM**		
Non-current assets	20,582,570		
Current assets	18,801,264		
Non-current liabilities	(7,763,154)		
Current liabilities	(6,151,003)		
Net assets	25,469,677		
Year ended 31 March	**RM**		
Revenue	26,509,219		
Profit for the year	1,522,596		
Cash flows used in operating activities	(434,233)		
Cash flows used in investing activities	(19,141)		
Cash flows used in financing activities	(1,531,308)		
Net decrease in cash and cash equivalents	(1,984,682)		

NOTES TO THE FINANCIAL STATEMENTS

6. INVENTORIES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Raw materials	153,273	97,203	5,081	4,505
Consumables	282,903	386,832	197,048	150,410
Work-in-progress	14,227,210	6,459,219	11,057,817	5,071,360
	14,663,386	6,943,254	11,259,946	5,226,275
Recognised in profit or loss:				
Inventories recognised as cost of sales	62,256,400	44,459,580	27,990,217	27,947,588
Write (back)/down to net realisable value	(14,796)	392,905	(14,796)	59,705
Inventories written off	-	20,800	-	20,800

The write-down and write-off are included in cost of sales.

7. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS

	2018			2017		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RM	RM	RM	RM	RM	RM
Group and Company						
Derivatives held at fair value through profit or loss and represented at fair value:						
- Forward exchange contracts	33,385,833	1,313,566	-	10,421,216	-	(296,834)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's and the Company's receivables and payables denominated in currencies other than the functional currencies of Group entities. All forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

NOTES TO THE FINANCIAL STATEMENTS

8. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade					
Trade receivables		24,227,129	25,540,285	7,424,254	12,855,983
Non-trade					
Other receivables		1,793,516	1,413,738	653,015	244,828
Amounts due from subsidiaries	8.1	-	-	4,830,964	4,236,169
Deposits		169,813	196,210	83,088	97,542
		1,963,329	1,609,948	5,567,067	4,578,539
Impairment loss on amounts due from subsidiaries		-	-	(4,246,579)	(4,236,169)
		1,963,329	1,609,948	1,320,488	342,370
		26,190,458	27,150,233	8,744,742	13,198,353

8.1 Amounts due from subsidiaries

The non-trade amounts due from subsidiaries are unsecured, interest free and repayable on demand.

9. OTHER INVESTMENT

The amount represents placement in a unit trust fund ("Fund"), of which the market value and the market price per unit of the Fund as at 31 March 2018 were RM6,335,375 and RM0.526 (2017: RM6,125,464 and RM0.523) respectively. The Group and Company recognised the investment held as a financial asset at fair value through profit or loss. The Company held 12,035,286 (2017: 11,712,169) units of the Fund as at 31 March 2018.

10. CASH AND CASH EQUIVALENTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash and bank balances	16,118,866	5,849,111	12,393,232	2,721,624

NOTES TO THE FINANCIAL STATEMENTS

11. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount	Number of shares	Amount	Number of shares
	2018	2018	2017	2017
	RM		RM	
Ordinary shares, issued and fully paid:				
At beginning of financial year	53,552,713	35,173,800	35,173,800	351,738,000
Effect of share consolidation	-	-	-	(316,564,200)
Issued for cash under ESOS	1,146,650	710,000	-	-
Issued for cash under private placement	3,742,415	3,549,100	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 11.1)	-	-	18,378,913	-
At end of financial year	58,441,778	39,432,900	53,552,713	35,173,800
			Note 11.2	

11.1 In accordance with Section 618(2) of the Companies Act 2016, any amount standing to the credit of the share premium account shall become part of the Company's share capital when the Companies Act 2016 comes into effect on 31 January 2017. Thereafter, the Company has 24 months to utilise such credit amounting to RM18,378,913 pursuant to Section 618(3).

11.2 Included in share capital is share premium amounting to RM18,378,913 that is available for utilisation in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Share option reserve

The share option comprises the cumulative value of employee services received for the issue of share options. The share option reserve in relation to the unexercised options at the expiry of the share option scheme will be transferred to retained earnings. Further details of the share options are disclosed in Note 13.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations with functional currencies other than RM.

NOTES TO THE FINANCIAL STATEMENTS

12. LOANS AND BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-current				
Finance lease liabilities	1,249,241	355,792	714,353	253,078
Term loans (secured)	10,017,613	10,981,944	3,375,063	3,962,910
	11,266,854	11,337,736	4,089,416	4,215,988
Current				
Finance lease liabilities	393,049	116,391	238,358	75,641
Revolving loans (secured)	3,500,000	1,000,000	3,500,000	1,000,000
Bankers' acceptances (secured)	4,848,742	1,769,000	4,848,742	1,769,000
Term loans (secured)	962,926	1,297,442	583,359	544,648
	9,704,717	4,182,833	9,170,459	3,389,289
	20,971,571	15,520,569	13,259,875	7,605,277

Security

The term loans, revolving loans and bankers' acceptances of the Group and of the Company are secured over the properties of the Group and the Company (see Note 3) and supported by a letter of negative pledge and corporate guarantee issued by the Company.

Loan covenants

The secured term loans of the Group and of the Company are subject to the compliance of the following significant covenants:

i) Maximum gearing of 1.5 times in Genetec Technology Berhad and CLT Engineering Sdn. Bhd..

ii) Minimum tangible net worth at RM40,000,000 and RM20,000,000 in Genetec Technology Berhad and CLT Engineering Sdn. Bhd. respectively.

iii) Valuation report issued by a valuation firm which is acceptable to the banker's panel of valuers, evidencing the Open Market Value of the land and the building at not less than RM10 million in Genetec Technology Berhad.

NOTES TO THE FINANCIAL STATEMENTS

12. LOANS AND BORROWINGS (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2018 RM	Interest 2018 RM	Present value of minimum lease payments 2018 RM	Future minimum lease payments 2017 RM	Interest 2017 RM	Present value of minimum lease payments 2017 RM
Group						
Less than one year	465,985	(72,936)	393,049	137,496	(21,105)	116,391
Between one and five years	1,346,376	(97,135)	1,249,241	381,511	(25,719)	355,792
	1,812,361	(170,071)	1,642,290	519,007	(46,824)	472,183
Company						
Less than one year	281,904	(43,546)	238,358	91,080	(15,439)	75,641
Between one and five years	766,626	(52,273)	714,353	273,240	(20,162)	253,078
	1,048,530	(95,819)	952,711	364,320	(35,601)	328,719

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Finance lease liabilities 2018 RM	Bankers' acceptances - secured 2018 RM	Revolving loan - secured 2018 RM	Term loan - secured 2018 RM	Total liabilities from financing activities 2018 RM
Group					
At 1 April 2017	472,183	1,769,000	1,000,000	12,279,386	15,520,569
Drawdown	1,392,000	16,261,505	5,500,000	-	23,153,505
Repayment	(221,893)	(13,181,763)	(3,000,000)	(1,298,847)	(17,702,503)
At 31 March 2018	1,642,290	4,848,742	3,500,000	10,980,539	20,971,571
Company					
At 1 April 2017	328,719	1,769,000	1,000,000	4,507,558	7,605,277
Drawdown	780,000	16,261,505	5,500,000	-	22,541,505
Repayment	(156,008)	(13,181,763)	(3,000,000)	(549,136)	(16,886,907)
At 31 March 2018	952,711	4,848,742	3,500,000	3,958,422	13,259,875

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE-BASED PAYMENT ARRANGEMENT

On 2 January 2018, the Group granted share options to eligible Directors and employees to subscribe for the ordinary shares in the Company under the Employees' Share Option Scheme approved by the shareholders of the Company on 5 August 2010.

The fair value of share options granted, measured using a Black-Schole model, with the following inputs:

Grant date	Number of options	Vesting conditions	Options life
2.1.2018	5,323,600	None	2.75 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2018	Number of options 2018
Outstanding at 1 April	-	-
Granted during the year	1.01	5,323,600
Exercised during the year	1.01	(710,000)
Outstanding at 31 March	1.01	4,613,600

	Group and Company 2018
Fair value at grant date (RM)	0.605
Weighted average share price (RM)	1.18
Share price at grant date (RM)	1.21
Weighted volatility (weighted average volatility) (%)	66
Expected dividend (%)	0
Option life (expected weighted average life) (years)	2.75

Value of employee services received for the issue of share option

	Group 2018 RM	Company 2018 RM
Share option granted in 2018	3,220,778	2,638,103
Total expenses recognised in share-based payment	3,220,778	2,638,103

The share options expense is not recognised in full in the profit or loss of the Company as certain amounts have been recharged to the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	RM	RM	RM	RM	RM	RM
Group						
Property, plant and equipment	-	-	(2,686,157)	(2,695,072)	(2,686,157)	(2,695,072)
Provisions	1,725,775	1,515,440	-	-	1,725,775	1,515,440
Unutilised tax losses	-	319,992	-	-	-	319,992
Others	-	17,246	(83,856)	(514)	(83,856)	16,732
Tax assets/(liabilities)	1,725,775	1,852,678	(2,770,013)	(2,695,586)	(1,044,238)	(842,908)
Set off of tax	(1,725,775)	(1,852,678)	1,725,775	1,852,678	-	-
Net deferred tax assets/(liabilities)	-	-	(1,044,238)	(842,908)	(1,044,238)	(842,908)
Company						
Property, plant and equipment	-	-	(848,894)	(934,886)	(848,894)	(934,886)
Provisions	939,990	716,138	-	-	939,990	716,138
Others	-	17,246	(91,096)	-	(91,096)	17,246
Deferred tax assets/(liabilities)	939,990	733,384	(939,990)	(934,886)	-	(201,502)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Unutilised tax losses	16,422,890	19,572,534	16,422,890	19,572,534

The unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group entities can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED TAX LIABILITIES (continued)

Movement in temporary differences during the year

	At 1.4.2016 RM	Recognised in profit or loss (Note 18) RM	At 31.3.2017/ 1.4.2017 RM	Recognised in profit or loss (Note 18) RM	At 31.3.2018 RM
Group					
Property, plant and equipment	(1,341,557)	(1,353,515)	(2,695,072)	8,915	(2,686,157)
Provisions	629,053	886,387	1,515,440	210,335	1,725,775
Unutilised tax losses	148,716	171,276	319,992	(319,992)	-
Unabsorbed capital allowances	194,340	(194,340)	-	-	-
Other temporary differences	(409,954)	426,686	16,732	(100,588)	(83,856)
	(779,402)	(63,506)	(842,908)	(201,330)	(1,044,238)
Company					
Property, plant and equipment	(1,154,424)	219,538	(934,886)	85,992	(848,894)
Provisions	629,053	87,085	716,138	223,852	939,990
Unutilised tax losses	148,716	(148,716)	-	-	-
Unabsorbed capital allowances	194,340	(194,340)	-	-	-
Other temporary differences	(409,954)	427,200	17,246	(108,342)	(91,096)
	(592,269)	390,767	(201,502)	201,502	-

15. TRADE AND OTHER PAYABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade					
Trade payables		12,208,498	10,509,432	3,802,215	4,616,034
Amount due to a subsidiary	15.1	-	-	-	388
		12,208,498	10,509,432	3,802,215	4,616,422
Non-trade					
Other payables		5,510,021	6,354,727	217,343	335,335
Accruals		484,109	1,398,312	203,820	1,084,765
		5,994,130	7,753,039	421,163	1,420,100
		18,202,628	18,262,471	4,223,378	6,036,522

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES (continued)

15.1 Amount due to a subsidiary

The trade amount due to a subsidiary was subject to normal trade terms.

16. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
		Restated		
Industrial automation products	101,027,639	70,345,579	52,354,874	44,139,634

17. FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Term loans	647,660	739,599	286,008	319,274
- Finance lease liabilities	48,097	25,734	34,871	19,799
- Bankers' acceptances	313,144	89,597	313,144	89,597
- Revolving loans	137,870	58,561	137,870	58,561
- Other finance costs	71,541	73,492	51,109	51,035
	1,218,312	986,983	823,002	538,266

NOTES TO THE FINANCIAL STATEMENTS

18. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Current tax expense				
- Current year	26,980	117,206	25,204	117,206
- Over provision in prior years	(114,384)	(122,330)	(117,206)	(129,195)
	(87,404)	(5,124)	(92,002)	(11,989)
Deferred tax expense				
- Origination and reversal of temporary differences	822,686	332,995	476,271	(209,667)
- (Over)/Under provision in prior years	(621,356)	(269,489)	(677,773)	(181,100)
	201,330	63,506	(201,502)	(390,767)
Total tax expense	113,926	58,382	(293,504)	(402,756)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Reconciliation of effective tax expense				
Profit/(Loss) for the year	5,116,959	(3,636,031)	2,706,376	(1,452,836)
Total tax expense	113,926	58,382	(293,504)	(402,756)
Profit/(Loss) excluding tax	5,230,885	(3,577,649)	2,412,872	(1,855,592)
Income tax calculated using Malaysian tax rate of 24%	1,255,412	(858,636)	579,090	(445,342)
Effect of deferred tax assets not recognised	-	466,554	-	757
Utilisation of previously unrecognised tax losses	(755,915)	-	(755,915)	-
Non-deductible expenses	1,047,063	1,421,632	678,300	469,836
Tax incentive (Pioneer status)*	(696,894)	(579,349)	-	(117,712)
(Over)/Under provision in prior years	(735,740)	(391,819)	(794,979)	(310,295)
	113,926	58,382	(293,504)	(402,756)

NOTES TO THE FINANCIAL STATEMENTS

18. TAX EXPENSE (continued)

* *The Company was granted pioneer status tax incentive by the Malaysian Industrial Development Authority ("MIDA") in respect of its "Automated Assembly and Testing Production Line & Modules for Automotive Industry" and "Automated Machines and Equipment for 1" Hard Disk Drive and Parts Thereof" activities for a period of 5 years commencing 15 September 2005 and 26 January 2007 respectively and upon expiry the incentives were extended for a further period of 5 years up to 14 September 2015 and 25 January 2017 respectively, both of which have expired as at 31 March 2017.*

The Group's subsidiary, CLT Engineering Sdn. Bhd. was granted pioneer status incentives by MIDA in respect of its "Automated Assembly and Testing Machines, & Related Modules" activities for a period of 5 years commencing 18 October 2010 and upon expiry the incentive was extended for a further period of 5 years up to 17 October 2020.

By virtue of the pioneer status, the statutory income derived from the pioneer services during the pioneer period will be fully exempted from income tax.

19. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARY

On 17 January 2018, CLT Engineering Sdn. Bhd., a 51% owned subsidiary of the Company had completed the disposal of its entire 100% equity interest in CLT Engineering (Thailand) Co. Ltd. ("CLT Thailand") to independent third parties for a total consideration of 1,000 Thai Baht (equivalent to approximately RM125.00). The segment was not a discontinued operation or classified as held for sale as at 31 March 2017. The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Loss attributable to the discontinued operation was as follows:

	Group	
	2018	2017
	RM	RM
Results of discontinued operation		
Revenue	255,226	281,076
Cost of sales	(415,545)	(503,013)
Results from operating activities	(160,319)	(221,937)
Administrative expenses	(57,246)	(103,086)
Other expenses	-	(135,697)
Loss from operating activities	(217,565)	(460,720)
Loss on disposal of a subsidiary	(444,140)	-
Loss for the year	(661,705)	(460,720)
Cash flows used in disposal of a subsidiary		
Net cash used in operating activities	(57,246)	(313,437)
Net cash used in investing activities	(273,685)	1,521,354
Effect on cash flow	(330,931)	161,083

NOTES TO THE FINANCIAL STATEMENTS

19. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARY (continued)

	Group 2018 RM
Effect of disposal on the financial position on the Group	
Other receivables	193,459
Cash and bank balances	273,685
Other payables	(1,967,901)
Net liabilities	(1,500,757)
Non-controlling interests	948,457
Realisation of amount due from the subsidiary written off	1,453,225
Realisation of foreign exchange reserve arising from disposal of a subsidiary	(456,660)
	444,265
Loss on disposal of discontinued operations	(444,140)
Consideration received, satisfied in cash	125
Cash and cash equivalents disposed of	(273,685)
Net cash outflow	(273,560)

20. PROFIT/(LOSS) FOR THE YEAR

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) for the year is arrived at after charging:				
Audit fees:				
- KPMG Malaysia	155,000	138,000	110,000	98,000
- Other auditors	5,000	8,151	-	-
Non audit fees:				
- KPMG Malaysia	15,000	20,000	15,000	20,000
Depreciation of property, plant and equipment	2,234,007	2,263,286	900,578	947,889
Net derivative loss				
- realised	-	1,038,623	-	1,038,623
- unrealised	-	296,834	-	296,834
Impairment loss on:				
- amounts due from subsidiaries	-	-	10,410	6,306
- trade receivables	403,812	268,827	403,812	-
- goodwill	-	5,000,000	-	-
- investment in subsidiary	-	-	-	1,500,000

NOTES TO THE FINANCIAL STATEMENTS

20. PROFIT/(LOSS) FOR THE YEAR (continued)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit/(Loss) for the year is arrived at after charging: (continued)				
Inventories written off	-	20,800	-	20,800
Loss on disposal of property, and equipment, net	-	478,354	-	-
Net loss on foreign exchange:				
- unrealised	409,728	-	379,564	-
- realised	1,481,932	-	1,416,074	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,650,825	1,386,696	1,174,410	1,019,995
- Wages, salaries and others	16,981,144	13,548,816	10,515,640	9,292,892
- Share-based payment	3,220,778	-	2,638,103	-
Property, plant and equipment written off	257	217,800	257	217,799
Write-down of inventories	-	392,905	-	59,705
Rental expense on properties	55,815	56,791	-	-
Rental expenses on motor vehicles and equipment	30,600	11,200	-	-
and after crediting:				
Interest income	112,419	77,005	105,017	65,246
Gain on disposal of property, plant and equipment, net	148,189	-	108,044	-
Fair value gain on other investment	209,911	125,464	209,911	125,464
Reversal of impairment loss on trade receivables	56,318	-	-	-
Write back of inventories	14,796	-	14,796	-
Bad debts recovered	-	3,150	-	3,150
Net gain on foreign exchange:				
- realised	-	2,230,415	-	1,844,861
- unrealised	-	227,117	-	224,976
Net derivative gain:				
- realised	1,257,191	-	1,257,191	-
- unrealised	1,313,566	-	1,313,566	-
Rental income	978,841	679,600	-	-

NOTES TO THE FINANCIAL STATEMENTS

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Directors:				
- Remuneration	2,124,614	1,674,903	1,257,464	991,703
- Fees	180,000	180,000	180,000	180,000
- Other short-term employee benefits	88,000	150,400	28,000	28,000
	2,392,614	2,005,303	1,465,464	1,199,703
Other key management personnel	2,156,541	1,907,660	2,156,541	1,907,660
	4,549,155	3,912,963	3,622,005	3,107,363

22. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2018 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018	**2017**
	RM	**RM**
Profit/(Loss) for the year attributable to owners of the Company:		
Continuing operations	3,998,955	(3,792,440)
Discontinued operations	(337,470)	(234,967)
	3,661,485	(4,027,407)
Weighted average number of ordinary shares	36,000,476	35,173,800

	2018	**2017**
	Sen	**Sen**
Basic earnings/(loss) per ordinary share		
- continued operations	11.11	(10.78)
- discontinued operations	(0.94)	(0.67)
	10.17	(11.45)

NOTES TO THE FINANCIAL STATEMENTS

22. EARNINGS/(LOSS) PER ORDINARY SHARE (continued)

Diluted earnings per ordinary share

The calculation of diluted earnings/(loss) per ordinary share at 31 March 2018 was based on profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2018	**2017**
	RM	**RM**
Weighted average number of ordinary shares at 31 March (basic)	36,000,476	35,173,800
Effect of share options on issue	250,350	-
Weighted average number of ordinary shares at 31 March (diluted)	36,250,825	35,173,800

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

	2018	**2017**
	Sen	**Sen**
Diluted earnings/(loss) per ordinary share		
- continued operations	11.03	(10.78)
- discontinued operations	(0.93)	(0.67)
	10.10	(11.45)

23. OPERATING SEGMENT

The entire Group operates under a single reportable segment, the industrial automation segment, which is the Group's strategic business unit. The Group's Chief Operating Officer reviews internal management reports at least on a quarterly basis. No segment reporting is presented as the Group operates solely in the industrial automation segment.

Geographical segments

The industrial automation segment operates manufacturing facilities and sales offices mainly in Malaysia. In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers.

NOTES TO THE FINANCIAL STATEMENTS

23. OPERATING SEGMENT (continued)

Geographical information

Group	Revenue 2018 RM	Revenue 2017 RM Restated
Domestic	55,136,040	33,825,954
Overseas	46,146,825	36,800,701
Overseas (discontinued)	(255,226)	(281,076)
	101,027,639	70,345,579

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue 2018 RM	Revenue 2017 RM
All common control companies of:		
- Customer A*	60,130,732	36,928,123
- Customer B*	36,042,714	29,342,513
- Customer C*	2,054,491	536,446

* *The identity of the major customers have not been disclosed as permitted by MFRS 8 Operating Segments.*

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss:
- Held for trading ("FVTPL-HFT"); and
(c) Financial liabilities measured at amortised cost ("FL").

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R/(FL) RM	FVTPL -HFT RM
Group			
2018			
Financial assets			
Derivative financial assets	1,313,566	-	1,313,566
Trade and other receivables	26,190,458	26,190,458	-
Other investment	6,335,375	-	6,335,375
Cash and cash equivalents	16,118,866	16,118,866	-
	49,958,265	42,309,324	7,648,941
Financial liabilities			
Loans and borrowings	(20,971,571)	(20,971,571)	-
Trade and other payables	(18,202,628)	(18,202,628)	-
	(39,174,199)	(39,174,199)	-
2017			
Financial assets			
Trade and other receivables	27,150,233	27,150,233	-
Other investment	6,125,464	-	6,125,464
Cash and cash equivalents	5,849,111	5,849,111	-
	39,124,808	32,999,344	6,125,464
Financial liabilities			
Derivative financial liabilities	(296,834)	-	(296,834)
Loans and borrowings	(15,520,569)	(15,520,569)	-
Trade and other payables	(18,262,471)	(18,262,471)	-
	(34,079,874)	(33,783,040)	(296,834)

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R/(FL) RM	FVTPL -HFT RM
Company			
2018			
Financial assets			
Derivative financial assets	1,313,566	-	1,313,566
Trade and other receivables	8,744,742	8,744,742	-
Other investment	6,335,375	-	6,335,375
Cash and cash equivalents	12,393,232	12,393,232	-
	28,786,915	21,137,974	7,648,941
Financial liabilities			
Loans and borrowings	(13,259,875)	(13,259,875)	-
Trade and other payables	(4,223,378)	(4,223,378)	-
	(17,483,253)	(17,483,253)	-
2017			
Financial assets			
Trade and other receivables	13,198,353	13,198,353	-
Other investment	6,125,464	-	6,125,464
Cash and cash equivalents	2,721,624	2,721,624	-
	22,045,441	15,919,977	6,125,464
Financial liabilities			
Derivative financial liabilities	(296,834)	-	(296,834)
Loans and borrowings	(7,605,277)	(7,605,277)	-
Trade and other payables	(6,036,522)	(6,036,522)	-
	(13,938,633)	(13,641,799)	(296,834)

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Net gains/(losses) arising on:				
Fair value through profit or loss				
- Held for trading	2,780,668	(1,209,993)	2,780,668	(1,209,993)
Loans and receivables	(1,723,372)	2,360,287	(2,010,465)	2,198,201
Financial liabilities measured at amortised cost	(1,621,677)	(1,078,411)	(917,380)	(604,540)
	(564,381)	71,883	(147,177)	383,668

24.3 Financial risk management

The Group and the Company have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from their receivables from customers. The Company also provides loans and advances to subsidiaries and financial guarantees to banks for credit facilities granted to subsidiaries.

24.4.1 Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally, financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

The Group has concentration of credit risk through the Group's two major customers which represent 98% (2017: 96%) of total trade receivables. Management constantly monitors the recovery of these outstanding balances and is confident of their recoverability.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.4 Credit risk (continued)

24.4.1 Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Domestic	20,157,159	17,567,637	3,915,715	5,267,124
Asia	2,245,898	7,185,492	1,810,156	6,846,868
North America	1,824,072	787,156	1,698,383	741,991
	24,227,129	25,540,285	7,424,254	12,855,983

Impairment losses

The Group and Company maintain an ageing analysis in respect of trade receivables from its external customers only. The ageing of trade receivables as at the end of the reporting period was:

	Gross	**Individual impairment**	**Net**
	RM	**RM**	**RM**
Group			
2018			
Not past due	12,471,606	-	12,471,606
Past due 1 - 30 days	6,505,687	-	6,505,687
Past due more than 30 days	5,866,157	(616,321)	5,249,836
	24,843,450	(616,321)	24,227,129
2017			
Not past due	14,464,359	-	14,464,359
Past due 1 - 30 days	6,243,304	-	6,243,304
Past due more than 30 days	5,101,449	(268,827)	4,832,622
	25,809,112	(268,827)	25,540,285

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.4 Credit risk (continued)

24.4.1 Receivables (continued)

Impairment losses (continued)

	Gross RM	Individual impairment RM	Net RM
Company			
2018			
Not past due	2,329,450	-	2,329,450
Past due 1 - 30 days	1,567,823	-	1,567,823
Past due more than 30 days	3,930,793	(403,812)	3,526,981
	7,828,066	(403,812)	7,424,254
2017			
Not past due	4,550,875	-	4,550,875
Past due 1 - 30 days	3,543,433	-	3,543,433
Past due more than 30 days	4,761,675	-	4,761,675
	12,855,983	-	12,855,983

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At beginning of the year	268,827	-	-	-
Impairment loss recognised	403,812	268,827	403,812	-
Reversal of impairment loss	(56,318)	-	-	-
At end of the year	616,321	268,827	403,812	-

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.4 Credit risk (continued)

24.4.2 Bank balances placed with licensed banks and other investment with a financial institution

Risk management objectives, policies and processes for managing the risk

Bank balances placed with licensed banks and other investment with a financial institution of the Group and the Company arise as part of the requirements for working capital management purposes. Management does not have formal policies and procedures for managing the credit risks arising from bank balances placed with licensed banks and counterparty credit risk from other investment with a financial institution as management does not expect the licensed banks and financial institution to fail to meet their obligations.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have only placed bank balances with licensed banks and other investment with a financial institution domestically. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

Impairment losses

As at the end of the reporting period, there was no indication of impairment on bank balances placed with licensed banks and other investment with a financial institution.

24.4.3 Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the performance of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

A further allowance for impairment losses on amounts due from subsidiaries amounting to RM10,410 (2017: RM6,306) was made, resulting in a total year end impairment of RM4,246,579 (2017: RM4,236,169).

24.4.4 Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.4 Credit risk (continued)

24.4.4 Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM41,500,000 (2017: RM41,500,000) representing the granted banking facilities of the subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

24.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities as and when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
2018							
Non-derivative financial liabilities							
Finance lease liabilities	1,642,290	2.31 - 3.40	1,821,361	465,985	465,985	880,391	-
Secured term loans	10,980,539	4.75 - 7.10	14,518,061	1,573,687	1,573,687	4,707,376	6,663,311
Bankers' acceptances	4,848,742	4.56 - 5.70	4,866,001	4,866,001	-	-	-
Revolving loans	3,500,000	5.01 - 5.87	3,520,032	3,520,032	-	-	-
Trade and other payables	18,202,628	-	18,202,628	18,202,628	-	-	-
	39,174,199		42,928,083	28,628,333	2,039,672	5,587,767	6,663,311
Derivative financial assets							
Forward exchange contracts (gross settled):							
Outflow	-	-	32,072,267	32,072,267	-	-	-
Inflow	(1,313,566)	-	(33,385,833)	(33,385,833)	-	-	-
	37,860,633		41,614,517	27,314,767	2,039,672	5,587,767	6,663,311
2017							
Non-derivative financial liabilities							
Finance lease liabilities	472,183	2.42 - 2.78	519,007	137,496	137,496	244,015	-
Secured term loans	12,279,386	4.75 - 7.35	16,246,562	1,947,878	1,557,424	4,672,167	8,069,093
Bankers' acceptances	1,769,000	5.42	1,769,000	1,769,000	-	-	-
Revolving loans	1,000,000	5.08	1,004,315	1,004,315	-	-	-
Trade and other payables	18,262,471	-	18,262,471	18,262,471	-	-	-
	33,783,040		37,801,355	23,121,160	1,694,920	4,916,182	8,069,093
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	296,834	-	10,718,050	10,718,050	-	-	-
Inflow	-	-	(10,421,216)	(10,421,216)	-	-	-
	34,079,874		38,098,189	23,417,994	1,694,920	4,916,182	8,069,093

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Company							
2018							
Non-derivative financial liabilities							
Finance lease liabilities	952,711	2.37 - 3.20	1,048,530	281,904	281,904	484,722	-
Secured term loans	3,958,422	7.00	4,819,712	842,042	842,042	2,512,441	623,187
Bankers' acceptances	4,848,742	4.56 - 5.70	4,866,001	4,866,001	-	-	-
Revolving loans	3,500,000	5.01 - 5.87	3,520,032	3,520,032	-	-	-
Trade and other payables	4,223,378	-	4,223,378	4,223,378	-	-	-
Financial guarantees	-	-	41,500,000	41,500,000	-	-	-
	17,483,253		59,977,653	55,233,357	1,123,946	2,997,163	623,187
Derivative financial assets							
Forward exchange contracts (gross settled):							
Outflow	-	-	32,072,267	32,072,267	-	-	-
Inflow	(1,313,566)	-	(33,385,833)	(33,385,833)	-	-	-
	16,169,687		58,664,087	53,919,791	1,123,946	2,997,163	623,187
2017							
Non-derivative financial liabilities							
Finance lease liabilities	328,719	2.77	364,320	91,080	91,080	182,160	-
Secured term loans	4,507,558	7.00	5,668,174	842,997	842,997	2,528,886	1,453,294
Bankers' acceptances	1,769,000	5.42	1,769,000	1,769,000	-	-	-
Revolving loans	1,000,000	5.08	1,000,000	1,000,000	-	-	-
Trade and other payables	6,036,522	-	6,036,522	6,036,522	-	-	-
Financial guarantees	-	-	41,500,000	41,500,000	-	-	-
	13,641,799		56,338,016	51,239,599	934,077	2,711,046	1,453,294
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	296,834	-	10,718,050	10,718,050	-	-	-
Inflow	-	-	(10,421,216)	(10,421,216)	-	-	-
	13,938,633		56,634,850	51,536,433	934,077	2,711,046	1,453,294

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

24.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities and the functional currency of the Company. The currencies giving rise to this risk are primarily the U.S. Dollar ("USD") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group and the Company enter into foreign currency forward exchange contracts in the normal course of business, where appropriate, to manage their exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities and the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period were:

	Denominated in	
	USD	**SGD**
	RM	**RM**
Group		
2018		
Trade receivables	5,941,230	-
Cash and cash equivalents	9,728,724	4,342
Forward exchange contracts	1,313,566	-
Trade payables	(856,086)	177,122
	16,127,434	181,464
2017		
Trade receivables	8,260,164	-
Cash and cash equivalents	1,443,517	4,342
Forward exchange contracts	(296,834)	-
Trade payables	(80,711)	(217,169)
	9,326,136	(212,827)

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in	
	USD	**SGD**
	RM	**RM**
Company		
2018		
Trade receivables	5,257,969	-
Cash and cash equivalents	9,461,775	4,342
Forward exchange contracts	1,313,566	-
Trade payables	(12,004)	-
	16,021,306	4,342
2017		
Trade receivables	7,826,774	-
Cash and cash equivalents	886,404	4,342
Forward exchange contracts	(296,834)	-
Trade payables	(20,340)	(15,436)
	8,396,004	(11,094)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities and the Company which have RM functional currency. The exposure to currency risk of Group entities which do not have RM as functional currency is not material and sensitivity analysis is therefore not presented.

A 10% (2017: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss			
	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
USD	(1,225,685)	(708,786)	(1,217,619)	(638,096)
SGD	(13,791)	16,175	(330)	843

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10% (2017: 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

24.6.2 Interest rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company place cash balances with reputable banks to generate interest income for the Group and the Company. The Group and the Company manage their interest rate risk by placing such balances on varying maturities and interest rate terms.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed rate instruments				
Financial liabilities	(6,491,032)	(2,241,183)	(5,801,453)	(2,097,719)
Floating rate instruments				
Financial liabilities	(14,480,539)	(13,279,386)	(7,458,422)	(5,507,558)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

24. FINANCIAL INSTRUMENTS (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 10 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease
	2018	2018	2017	2017
	RM	RM	RM	RM
Group				
Floating rate instruments	(11,005)	11,005	(10,092)	10,092
Company				
Floating rate instruments	(5,668)	5,668	(4,186)	4,186

24.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group will evaluate the risk and return of the unit trust fund to identify the investment opportunity that is aligned with the Group's risk appetite prior to investing in the unit trust fund. The performance of the unit trust fund is monitored on an ongoing basis.

Equity price risk sensitivity analysis

A 10% (2017: 10%) increase in Net Asset Value ("NAV") of the unit trust fund at the end of the reporting period would have increased post-tax profit or loss by RM481,489 (2017: RM465,535). A 10% (2017: 10%) decrease in NAV would have had equal but opposite effect on post-tax profit or loss. This analysis assumes that all other variables remained constant and ignores any impact of forecasted sales and purchases.

24.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2018										
Financial assets										
Forward exchange contracts	-	1,313,566	-	1,313,566	-	-	-	-	1,313,566	1,313,566
Other investment	-	6,335,375	-	6,335,375	-	-	-	-	6,335,375	6,335,375
	-	7,648,941	-	7,648,941	-	-	-	-	7,648,941	7,648,941
Financial liabilities										
Term loans - secured	-	-	-	-	-	-	(10,980,539)	(10,980,539)	(10,980,539)	(10,980,539)
Finance lease liabilities	-	-	-	-	-	-	(1,750,207)	(1,750,207)	(1,750,207)	(1,642,290)
	-	-	-	-	-	-	(12,730,746)	(12,730,746)	(12,730,746)	(12,622,829)
2017										
Financial assets										
Other investment	-	6,125,464	-	6,125,464	-	-	-	-	6,125,464	6,125,464
Financial liabilities										
Forward exchange contracts	-	(296,834)	-	(296,834)	-	-	-	-	(296,834)	(296,834)
Term loans - secured	-	-	-	-	-	-	(12,279,386)	(12,279,386)	(12,279,386)	(12,279,386)
Finance lease liabilities	-	-	-	-	-	-	(503,341)	(503,341)	(503,341)	(472,183)
	-	(296,834)	-	(296,834)	-	-	(12,782,727)	(12,782,727)	(13,079,561)	(13,048,403)

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Company										
2018										
Financial assets										
Forward exchange contracts	-	1,313,566	-	1,313,566	-	-	-	-	1,313,566	1,313,566
Other investment	-	6,335,375	-	6,335,375	-	-	-	-	6,335,375	6,335,375
	-	7,648,941	-	7,648,941	-	-	-	-	7,648,941	7,648,941
Financial liabilities										
Term loans - secured	-	-	-	-	-	-	(3,958,422)	(3,958,422)	(3,958,422)	(3,958,422)
Finance lease liabilities	-	-	-	-	-	-	(1,009,685)	(1,009,685)	(1,009,685)	(952,710)
	-	-	-	-	-	-	(4,968,107)	(4,968,107)	(4,968,107)	(4,911,132)
2017										
Financial assets										
Other investment	-	6,125,464	-	6,125,464	-	-	-	-	6,125,464	6,125,464
Financial liabilities										
Forward exchange contracts	-	(296,834)	-	(296,834)	-	-	-	-	(296,834)	(296,834)
Term loans - secured	-	-	-	-	-	-	(4,507,558)	(4,507,558)	(4,507,558)	(4,507,558)
Finance lease liabilities	-	-	-	-	-	-	(352,918)	(352,918)	(352,918)	(328,719)
	-	(296,834)	-	(296,834)	-	-	(4,860,476)	(4,860,476)	(5,157,310)	(5,133,111)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event of change in circumstances that caused the transfer.

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

24.7 Fair value information (continued)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

Fair value of financial instruments not carried at fair value

The methods and assumptions used to estimate the fair value of the financial instruments not carried at fair value are as follows:

- Term loans - The fair value of term loans is estimated to approximate their carrying amounts as these are variable rate borrowings.
- Finance lease liabilities - The fair value of finance lease liabilities are estimated based on discounted cash flows using prevailing market rates of similar lease agreements.

25. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 March 2018 and 31 March 2017 were as follows:

		Group	
	Note	**2018**	**2017**
		RM	**RM**
Total loans and borrowings	12	20,971,571	15,520,569
Less: Cash and cash equivalents	10	(16,118,866)	(5,849,111)
		4,852,705	9,671,458
Total equity		77,456,391	63,295,609
Debt-to-equity ratio		0.06	0.15

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital. The Group has complied with this requirement.

The significant loan covenants of the Group and the Company are disclosed in Note 12. There is no breach of covenants during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

26. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Company	
	2018	2017
	RM	RM
Guarantees given to financial institutions for banking facilities granted to a subsidiary	41,500,000	41,500,000

27. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationships with its subsidiaries, an affiliate company and its subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation which is disclosed in Note 21 are shown below. The balances related to the below transactions are shown in Notes 8 and 15. The impairment loss made on the balances with related parties are disclosed in Note 8.

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Subsidiaries				
Purchases	-	-	582	1,523
Sales	-	-	(1,710)	-
Subsidiaries of an affiliate company				
Purchases	817,305	205,057	641,397	153,514
Sales	-	(4,050)	-	-

As at 31 March 2018, the balances outstanding owing to subsidiaries of an affiliate company, KVC Industrial Supplies Sdn. Bhd., TSA Industries Sdn. Bhd. and Cotel Precision Industries Sdn. Bhd. are RM99,078 (2017: RM36,084), RM6,182 (2017: RM4,665) and RM17,723 (2017: RM14,293), respectively.

As at 31 March 2018, the balance outstanding owing from a subsidiary of an affiliate company, KVC Industrial Supplies Sdn. Bhd. is RM NIL (2017: RM4,293).

NOTES TO THE FINANCIAL STATEMENTS

28. SIGNIFICANT EVENTS

28.1 Acquisition of non-controlling interests

During the year, the Group acquired an additional 100,000 and 40,000 ordinary shares representing 40% equity interest in FAS Manufacturing Sdn. Bhd. ("FASM") and FAS Technology Solution Sdn. Bhd. ("FAST") respectively, increasing the Group's interest in respective entities from 60% to 100%. The total consideration paid for the acquisition was RM20,000. The effect of acquisition of non-controlling interest is not significant to the Group. (see note 5).

28.2 Disposal of investment in subsidiary

On 17 January 2018, CLT Engineering Sdn. Bhd., a 51% owned subsidiary of the Company had completed the disposal of its entire 100% equity interest in CLT Engineering (Thailand) Co. Ltd. ("CLT Thailand") with a total consideration of 1,000 Thai Baht (equivalent to approximately RM125.00). In this regard, CLT Thailand had ceased to be a wholly-owned subsidiary of CLT Engineering Sdn. Bhd. and an indirect subsidiary of the Company. Accordingly, the results arising from the disposal of CLT Thailand are presented as discontinued operation in Note 19.

28.3 Issue of new ordinary shares

During the financial year, the Company issued:

a) 317,200 new ordinary shares at RM1.10 per ordinary share via special bumiputera issue for a total consideration of RM348,920 to be used as working capital purposes. Following the special issuance, the Company is deemed to have fulfilled Bumiputera Equity Condition imposed by Securities Commission Malaysia. Securities Commission Malaysia has issued a letter dated 11 August 2017 to the Company confirming the same; and

b) 3,231,900 new ordinary shares of RM1.05 per ordinary share via a private placement to eligible investors for a total consideration of RM3,393,495 to be used as working capital purposes.

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 39 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of their financial performance and cash flows for the financial year then ended.

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

Chin Kem Weng
Director

Tan Moon Teik
Director

Bandar Baru Bangi, Selangor

Date: 3 July 2018

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan Kon Hoan**, the officer primarily responsible for the financial management of Genetec Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 39 to 104 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the State of Federal Territory on 3 July 2018.

Tan Kon Hoan

Before me:
No. W681
RAJEEV SAIGAL
Commissioners for oaths
Kuala Lumpur, Federal Territory

INDEPENDENT AUDITORS' REPORT

To the Members of Genetec Technology Berhad

(Company No. 445537-W)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Genetec Technology Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

(i) Revenue recognition

Refer to Note 16 of the financial statements and Note 2(m)(i) - significant accounting policy.

The key audit matter

Revenue is an important measure used to evaluate performance of the Group and the Company. Revenue is recognised when significant risks and rewards of ownership of the underlying products have been transferred to the customers.

We identified revenue recognition as a key audit matter because there was a risk that revenue might be overstated because of the pressure on the Group and the Company to achieve performance targets. The focus on revenue as a key performance measure could create a pressure for revenue to be recognised before the risks and rewards of ownership have been transferred.

INDEPENDENT AUDITORS' REPORT

To the Members of Genetec Technology Berhad

(Company No. 445537-W)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key Audit Matters (continued)

(i) Revenue recognition (continued)

How the matter was addressed in our audit

Our procedures included, amongst others, evaluating revenue recognition accounting policies of the Group and the Company and assessing compliance with key applicable accounting standards. We evaluated the design and implementation of key controls over revenue recognition and tested the operating effectiveness of these controls.

We tested certain sales transactions recognised in the current financial year by agreeing the transactions to the delivery documents that were acknowledged by customers. We also tested sales transactions recognised both before and after the reporting date to assess whether revenue was recognised in the appropriate financial periods.

We obtained written confirmation from certain trade debtors on outstanding balances and performed alternative procedures for non-replies by checking the sales invoices to the delivery documents that were acknowledged by customers.

We developed an expectation of the current year revenue amount and compared this expectation to actual results.

In addition, we inspected journal entries posted to the revenue accounts during the year and subsequent to year end which met certain criteria and ascertained that the journal entries were properly supported and approved by the appropriate authority.

We also considered the adequacy of the disclosures in the financial statements in respect of revenue.

(ii) Valuation of goodwill

Refer to Note 4 of the financial statements and Note 2(f) - significant accounting policy.

The key audit matter

The Group annually assesses the amount of goodwill for impairment. The Group's goodwill on consolidation amounted to RM15,559,876 as of 31 March 2018. There was a risk that the carrying value of the Group's goodwill may not be recovered from future cash flows which may be affected by future market or economic conditions. We identified valuation of goodwill as a key audit matter because of the inherent uncertainty involved in projecting and discounting future cash flows.

How the matter was addressed in our audit

Our audit procedures included, among others, testing of the Group's impairment assessment for cash-generating units ("CGUs") containing goodwill. The recoverable amounts of the CGUs were determined based on value in use ("VIU") calculations. In assessing VIU, we obtained the discounted cash flow projections and evaluated the key estimates and assumptions used, in particular those relating to revenue growth, gross profit margins, and the discount rate and terminal growth rate applied to the cash flows in the impairment assessment model. We assessed the key estimates and assumptions, with reference to internally and externally derived sources and taking into account the CGUs' historical achievements.

Sensitivity analyses were performed across the different elements of the impairment assessment model in order to understand which judgements and assumptions were most sensitive in relation to the management's recoverable amounts.

We also considered the adequacy of the Group's disclosures in the financial statements in respect of goodwill and its impairment assessment.

INDEPENDENT AUDITORS' REPORT

To the Members of Genetec Technology Berhad

(Company No. 445537-W)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

To the Members of Genetec Technology Berhad

(Company No. 445537-W)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of Genetec Technology Berhad

(Company No. 445537-W)
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

OTHER MATTER

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Kah Mun
Approval Number: 03350/01/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 3 July 2018

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Directors have made judgements and estimates that are reasonable and prudent, adopted appropriate accounting policies and applied them consistently, and prepared the annual audited financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016 and applicable approved Financial Reporting Standards in Malaysia.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

LIST OF PROPERTIES HELD BY THE GROUP
As at 31 March 2018

No.	Address	Approximate tenure/Year of expiry	Description/ Existing use	Land area/ Built-up area (sq. ft.)	Net book value @ 31.03.18 (RM'000)	Age of building (years)	Date of acquisition
1.	Lot 7, Jalan P10/11, Seksyen 10, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	99 years expiring in 2098	Leasehold/ Land with 3 storey office and factory	61,450/ 44,405	11,028	10	31 March 2008
2.	No. 59, Jalan P/21, Selaman Industrial Park, Seksyen 10, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	99 years expiring in 2098	Leasehold 1½ - storey detached factory/ Office building	22,723/ 13,603	1,923	13	20 March 2006
3.	Lot 11734, Persiaran Subang Indah, Taman Perindustrian Subang, 47610 Subang Jaya, Selangor Daru Ehsan.	99 years expiring in 2090	Leasehold 1½ - storey office and factory	81,911/ 49,217	15,702	28	15 June 2011

ADDITIONAL COMPLIANCE INFORMATION

1) UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

On 26 January 2018, the Group had completed the listing and quotation of 3,231,900 new ordinary shares issued pursuant to its Private Placement exercise. The placement shares were issued at issue price of RM1.05 per share. The proceeds raised and its utilisation as at 31 March 2018 are set out below:-

	Proposed Utilisation (proceeds received)	Actual Utilisation	Intended Time Frame for Utilisation	Deviation		Balance
	RM'000	RM'000		RM'000	%	RM'000
Working Capital for the Group	3,293	1,500	Within 12 months	-	-	1,793
Expenses in relation to the Private Placement	100	75	Within 1 month	^(25)	25%	-
Total	**3,393**	**1,575**				

^ The excess of RM25,000 was utilised for working capital purpose.

2) EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS approved at the Extraordinary General Meeting held on 5 August 2010 and implemented on 19 December 2017 is the only share option scheme of the Company in existence as at the financial year ended 31 March 2018. The Company granted 5,323,600 new option shares to the eligible Directors and employees of the Company and its subsidiaries during the financial year ended 31 March 2018.The details of the ESOS are as follows. Further information on the ESOS is available in Note 13 to the Financial Statements.

	During the financial year ended 31 March 2018 ("FYE 2018")
Total number of options or shares granted	5,323,600
Total number of options exercised	710,000
Total options or shares outstanding	4,613,600

In regard to options or shares granted to the Directors including the Managing Director:

	During the FYE 2018
Aggregate number of options or shares granted	1,430,000
Aggregate number of options exercised	-
Aggregate options or shares outstanding	1,430,000

ADDITIONAL COMPLIANCE INFORMATION

2) EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (continued)

In regard to options or shares granted to the Directors and Senior Management:

	During the FYE 2018	Since the commencement of the ESOS up to FYE 2018
Aggregate maximum allocation in percentage	50.0%	50.0%
Actual percentage granted	46.6%	46.6%

The breakdown of the options offered to and exercised by, or shares granted to Non-Executive Directors pursuant to the ESOS in respect of the FYE 2018 is as follows:

	Amount of options/ shares granted	Amount of options exercised
Hew Voon Foo	100,000	-
Wong Wai Tzing	100,000	-
Teh Kim Seng	100,000	-
Chen Khai Voon	100,000	-
Total	**400,000**	**-**

3) AUDIT AND NON-AUDIT FEES

During the financial year, the audit fees and non-audit fees paid/payable to the Company's external auditors by the Company and by the Group incurred for services rendered were as follows: -

	Group (RM)	Company (RM)
Audit fee	155,000	110,000
Non-audit fee	15,000	15,000

4) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders of the Company, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

ADDITIONAL COMPLIANCE INFORMATION

5) RECURRENT RELATED PARTY TRANSACTION

The significant recurrent related party transactions conducted during the financial year ended 31 March 2018 were as follows:

	Related Parties	Relationship with Genetec Group	Nature of Transactions with Genetec Group	Amount (RM)
1.	CLT Engineering Sdn Bhd ("**CLT**")	Tan Moon Teik is a Director of Genetec. He is also a Director and Major Shareholder of CLT	Sale of machines and components	1,710
		Chin Kem Weng is a Director of Genetec. He is also a Director and indirect Major Shareholder of CLT (via his shareholding in Genetec)	Purchase of fabrication parts	582
2.	Cotel Precision Industries Sdn Bhd ("**Cotel**")	Chen Khai Voon is a Director and indirect Major Shareholder of Genetec (via his shareholdings in KVC Corporation Sdn Bhd ("**KVC Corp**"). He is also an indirect Major Shareholder of Cotel (via his shareholdings in KVC Corp, KVC Properties Sdn. Bhd. and KVC) KVC Corp is a Major Shareholder of Genetec and also an indirect Major Shareholder of Cotel (via its shareholdings in KVC Properties Sdn. Bhd. and KVC)	Purchase of precision measuring instruments	355,336
3.	KVC Industrial Supplies Sdn Bhd ("**KVC**")	Chen Khai Voon is a Director and an indirect Major Shareholder of Genetec (via his shareholdings in KVC Corp). He is also a Director and an indirect Major Shareholder of KVC (via his shareholdings in KVC Corp and KVC Properties Sdn, Bhd.)	Purchase of industrial products	425,207
		KVC Corp is a Major Shareholder of Genetec and also an indirect Major Shareholder of KVC (via its shareholdings in KVC Properties Sdn. Bhd.)	Sale of fabrication parts	-
4.	TSA Industries Sdn Bhd ("**TSA**")	Chen Khai Voon is a Director and an indirect Major Shareholder of Genetec (via his shareholdings in KVC Corp). He is also a Director and an indirect Major Shareholder of TSA (via his shareholdings in KVC Corp and KVC Properties Sdn. Bhd.) KVC Corp is a Major Shareholder of Genetec and also an indirect Major Shareholder of TSA (via its shareholdings in KVC Properties Sdn. Bhd.)	Purchase of industrial hardware	36,761

ANALYSIS OF SHAREHOLDINGS
As at 29 June 2018

Total number of issued shares : 39,539,900
Class of shares : Ordinary Shares
Voting rights : One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares Held	% of Issued Shares
1 – 99	133	7.78	4,610	0.01
100 – 1,000	399	23.33	272,689	0.69
1,001 – 10,000	882	51.58	3,973,420	10.05
10,001 – 100,000	241	14.09	7,799,660	19.73
100,001 – 1,976,994 (*)	53	3.10	20,877,371	52.80
1,976,995 and above (**)	2	0.12	6,612,150	16.72
Total	**1,710**	**100.00**	**39,539,900**	**100.00**

Remarks : * *Less than 5% of issued shares*
** *5% and above of issued shares*

SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

	Direct Interest		Indirect Interest	
Name	No. of shares held	%	No. of shares held	%
KVC Corporation Sdn Bhd	4,564,000	11.54	-	-
Chin Kem Weng	2,048,150	5.18	-	-
Chen Khai Voon	-	-	4,564,000 *	11.54

Note:

* *Deemed interested through KVC Corporation Sdn Bhd*

ANALYSIS OF SHAREHOLDINGS
As at 29 June 2018

DIRECTORS' SHAREHOLDINGS (as per Register of Directors' Shareholdings)

Ordinary Shares

	Direct Interest		Indirect Interest	
Name	**No. of shares held**	**%**	**No. of shares held**	**%**
Chin Kem Weng	2,048,150	5.18	-	-
Tan Moon Teik	1,860,200	4.70	-	-
Chen Khai Voon	-	-	4,564,000 *	11.54
Hew Voon Foo	-	-	-	-
Wong Wai Tzing	-	-	-	-
Teh Kim Seng	-	-	-	-

Note:

* *Deemed interested through KVC Corporation Sdn Bhd*

Employees' Share Option Scheme

Name	No. of Options	%
Chin Kem Weng	530,000	1.34
Tan Moon Teik	500,000	1.26
Chen Khai Voon	100,000	0.25
Hew Voon Foo	100,000	0.25
Wong Wai Tzing	100,000	0.25
Teh Kim Seng	100,000	0.25

ANALYSIS OF SHAREHOLDINGS
As at 29 June 2018

30 LARGEST SHAREHOLDERS

	Name	No. of shares held	Percentage (%)
1	KVC CORPORATION SDN BHD	4,564,000	11.54
2	CHIN KEM WENG	2,048,150	5.18
3	SA CHEE PENG	1,959,400	4.96
4	TAN MOON TEIK	1,860,200	4.70
5	SIEW MUN WAI	1,616,000	4.09
6	LAW NGEE SONG	1,615,900	4.09
7	CHIN LEE HEONG	1,110,800	2.81
8	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG*	850,000	2.15
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN POW CHOO @ WONG SENG ENG*	626,870	1.59
10	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *MAYBANK KIM ENG SECURITIES PTE LTD FOR MAYBANK KIM ENG SECURITIES (THAILAND) PCL (A/C RETAIL)*	522,900	1.32
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *YONG LOY HUAT*	435,000	1.10
12	CHIN KIT SEN	427,000	1.08
13	PUBLIC INVEST NOMINEES (ASING) SDN BHD *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD*	390,000	0.99
14	LIM POH ENG	370,000	0.94
15	CHIN LING CHEE	367,600	0.93
16	TENG SWEE LAN @ FONG SWEE LAN	367,300	0.93
17	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *MAYBANK KIM ENG SECURITIES PTE LTD FOR THANA RATNAUBONCHAI*	366,500	0.93
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR YONG THIAN FOOK*	325,900	0.82
19	TEE LEE CHEN	318,801	0.81
20	ONG PHOE BE	310,200	0.78
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAI CHIE KING*	310,000	0.78
22	LEE HOCK HENG	301,000	0.76
23	EER YOKE CHIN	300,300	0.76
24	LIM GHEE TATT	300,000	0.76
25	O PAU KIANG	300,000	0.76
26	LOO WEE KIN	296,900	0.75
27	CHIN CHENG AUN	290,000	0.73
28	TEH BENG AI	282,000	0.71
29	ALLEN LIK-HOOK TING	252,000	0.64
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MICHAEL HENG CHUN HONG*	250,000	0.63
	Total	**23,334,721**	**59.02**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting ("20th AGM") of Genetec Technology Berhad ("Genetec" or the "Company") will be held at Multi-Purpose Hall, 2nd Floor, Lot 5, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, on Tuesday, 21 August 2018 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and Auditors thereon. *(Please refer to Explanatory Note 1)*

2. To approve the payment of Directors' fees of RM180,000 for the financial year ended 31 March 2018. **Ordinary Resolution 1** *(Please refer to Explanatory Note 2)*

3. To approve the payment of Directors' fees of RM312,000 for the financial year ending 31 March 2019. **Ordinary Resolution 2** *(Please refer to Explanatory Note 2)*

4. To re-elect Mr Chen Khai Voon who is retiring in accordance with the Company's Constitution (Article 92 of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016) and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

5. To re-elect Mr Hew Voon Foo who is retiring in accordance with the Company's Constitution (Article 92 of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016) and being eligible, has offered himself for re-election. **Ordinary Resolution 4**

6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS:

To consider, and if thought fit, to pass the following resolutions, with or without modifications thereto:-

7. **Retention of Mr Hew Voon Foo as an Independent Non-Executive Director of the Company**

   "THAT, subject to the passing of Ordinary Resolution 4, approval be given to Mr Hew Voon Foo who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Ordinary Resolution 6** *(Please refer to Explanatory Note 3)*

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to Directors Pursuant to Sections 75 and 76 of the Companies Act 2016**

"THAT, subject always to the Companies Act, 2016, the Company's Constitution, the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors of the Company be authorised and empowered pursuant to Sections 75 and 76 of the Companies Act, 2016 to:

(i) allot shares in the Company; and/or
(ii) grant rights to subscribe for shares in the Company; and/or
(iii) convert any security into shares in the Company; and/or
(iv) allot shares under an agreement or option or offer,

at any time and from time to time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as prescribed by the AMLR of Bursa Securities and such authority under this resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is earlier, but any approval may be revoked or varied at any time by a resolution passed by the shareholders of the Company in general meeting AND THAT:

(a) approval and authority be given to the Directors of the Company to take all such actions that may be necessary and/or desirable to give effect to this resolution and in connection therewith to enter into and execute on behalf of the Company any instrument, agreement and/or arrangement with any person, and in all cases with full power to assent to any condition, modification, variation and/or amendment (if any) in connection therewith; and

(b) the Directors of the Company be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities." **Ordinary Resolution 7** *(Please refer to Explanatory Note 4)*

9. **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

"THAT, subject to the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be given for the Company and/or its subsidiaries, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2 of the Circular to Shareholders dated 20 July 2018 which are necessary for the day-to-day operations in the ordinary course of business of the Company and/or its subsidiaries on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and the Proposed Renewal of Shareholders' Mandate is subject to annual renewal and disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting; or

NOTICE OF ANNUAL GENERAL MEETING

(b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or

(c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier.

AND THAT authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution." **Ordinary Resolution 8** *(Please refer to Explanatory Note 5)*

10. To transact any other business that may be transacted at an Annual General Meeting of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

BY ORDER OF THE BOARD

LOW SOOK KUAN (MAICSA 7047833)
Company Secretary

Selangor Darul Ehsan
20 July 2018

Notes:

1. A member of the Company entitled to attend, speak and vote at the meeting shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. However, his attendance at the general meeting shall automatically revoke the proxy form and proxy's authority.

2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee as defined under SICDA which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5. If the appointer is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorised in writing.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

7. For the purpose of determining a member who shall be entitled to attend, speak and vote at the forthcoming 20th AGM, the Company shall be requesting the Record of Depositors as at 15 August 2018. Only a depositor whose name appears on the Record of Depositors as at 15 August 2018 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) or authorised representative to attend, speak and vote on his/her stead.

8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.

Abstention from Voting

9. All those Directors of the Company who are shareholders of the Company will abstain from voting on the respective resolutions under Ordinary Resolutions 1, 2, 3 and 4 as applicable, in respect of their direct and/or indirect shareholdings in Genetec.

Explanatory Notes to the Agenda:

1. Audited Financial Statements and Reports

The audited financial statements and reports are laid in accordance with the provision of Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence this agenda is not put forward for voting.

2. Payment of Directors' fees

Section 230(1) of the Companies Act 2016 requires that the fees of the directors and any benefits payable to the directors be approved at a general meeting.

The proposed Ordinary Resolution 1 is on the payment of Directors' fees for the financial year ended 31 March 2018.

The proposed Ordinary Resolution 2 is to facilitate payment of Directors' fees on current financial year basis, based on the current Board size and assuming that all Directors shall hold office until the end of the financial year. In the event the Directors' fees proposed is insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

3. Retention of Mr Hew Voon Foo as an Independent Non-Executive Director of the Company

The proposed Ordinary Resolution 6, if passed, will enable Mr Hew Voon Foo to continue to act as Independent Director of the Company.

The Board on the recommendation of the Nomination Committee who has carried out an assessment of the Directors has recommended that Mr Hew Voon Foo who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be retained and continue to act as Independent Non-Executive Director of the Company based on the following justifications:

(a) He fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.
(b) He has familiarised himself with the business and provides the element of objectivity to the Board of Directors.
(c) He has actively participated in the board meetings and possesses the appropriate competencies to enable him to apply professional judgment.
(d) He has devoted sufficient time and efforts and exercised due care in all undertakings of the Company and has acted and carried out his fiduciary duties in the interest of the Company during his tenure as Independent Director.

4. Authority to Directors Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 7, if passed, is to renew the mandate to grant authority to the Directors of the Company to issue and allot shares up to and not exceeding in total 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This authority, unless revoked or varied by the shareholders of the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

As at the date of this Notice, 3,231,900 new ordinary shares via the private placement were issued pursuant to the general mandate obtained from the shareholders at the 19th Annual General Meeting held on 29 August 2017. The 3,231,900 new ordinary shares were issued at a price of RM1.05 per share with total placement proceeds amounting to RM3,393,495.00. The total proceeds from the said private placement exercise has been fully utilised for working capital and expenses in relation to the private placement exercise.

The renewed mandate if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to future investment project(s), business expansion and/or working capital purpose as the Directors may in their absolute discretion deem fit and to avoid any delay and cost in convening general meetings to approve such issue of shares.

5. **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

   For the proposed Ordinary Resolution 8, please refer to the Circular to Shareholders dated 20 July 2018 which is despatched together with this Annual Report for detailed information of the Proposed Renewal of Shareholders' Mandate.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING
Pursuant to Rule 8.29(2) of the AMLR of Bursa Securities

1. **Details of individuals who are standing for election as Directors (excluding directors standing for a re-election)**

   As at the date of this Notice, there is no individual is seeking election as a Director of the Company at the 20th AGM.

2. **Statement relating to general mandate for issue of securities in accordance with Rule 6.04(3) of the AMLR of Bursa Securities**

   Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 are set out in the proposed Ordinary Resolution 7 as stated in the Notice of 20th AGM.

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Genetec Technology BERHAD

(445537-W)
(Incorporated in Malaysia)

No. of shares held	

PROXY FORM

(To be completed in block letters)

I/We ______________________________ NRIC/Passport/Company No. ______________

(FULL NAME OF MEMBER(S) AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION)

of ____

(FULL ADDRESS)

being a member/members of GENETEC TECHNOLOGY BERHAD (the "Company") hereby appoint:

Full Name (in block letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in block letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Multi-Purpose Hall, 2nd Floor, Lot 5, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, on Tuesday, 21 August 2018 at 10.00 a.m. and at any adjournment thereof in the manner as indicated below:

	Ordinary Resolution	For	Against
1	To approve payment of Directors' fees for the financial year ended 31 March 2018.		
2	To approve payment of Directors' fees for the financial year ending 31 March 2019.		
3	To re-elect Mr Chen Khai Voon as Director.		
4	To re-elect Mr Hew Voon Foo as Director.		
5	To re-appoint Messrs KPMG PLT as Auditors for the ensuing year and to authorise the Board to fix their remuneration.		
6	To retain Mr Hew Voon Foo as an Independent Non-Executive Director.		
7	To empower the Directors to issue and allot shares.		
8	To approve the Proposed Renewal of Shareholders' Mandate.		

(Please indicate with (✓) or (✗) in the spaces provided above as to how you wish your vote to be cast. In the absence of specific directions, the proxy will vote or abstain from voting at his/her discretion.)

Dated this: ________ day of ______________________ 2018

____
Signature of Member(s)/Common Seal

Notes:

1. *A member of the Company entitled to attend, speak and vote at the meeting shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. However, his attendance at the general meeting shall automatically revoke the proxy form and proxy's authority.*
2. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
3. *Where a member of the Company is an exempt authorised nominee as defined under SICDA which holds ordinary shares in the Company for the multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
5. *If the appointer is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorised in writing.*
6. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the forthcoming Twentieth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 15 August 2018. Only a depositor whose name appears on the Record of Depositors as at 15 August 2018 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) or authorised representative to attend, speak and vote on his/her stead.*
8. *Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Twentieth Annual General Meeting will be put to vote by way of a poll.*
9. *Any alteration in this form must be initialed.*

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AFFIX
STAMP

GENETEC TECHNOLOGY BERHAD (445537-W)
C/O TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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GENETEC TECHNOLOGY BERHAD (445537-W)

Lot 7, Jalan P10/11, Seksyen 10
Kawasan Perusahaan Bangi
43650 Bandar Baru Bangi
Selangor Darul Ehsan, Malaysia
Tel: 603 8926 6388 Fax: 603 8926 9689
www.genetec.net