Genetec Technology

BERHAD

(445537 - W)

2019

ANNUAL REPORT

INSIDE THIS ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

HEW VOON FOO
Chairman &
Independent Non-Executive Director

TEH KIM SENG
Independent Non-Executive Director

CHEN KHAI VOON
Non-Independent Non-Executive Director

CHIN KEM WENG
Managing Director

SOW EWE LEE
Executive Director
(appointed on 1 October 2018)/
Chief Operating Officer

TAN MOON TEIK
Executive Director

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

HEW VOON FOO *(Chairman)*
TEH KIM SENG
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 28 June 2019

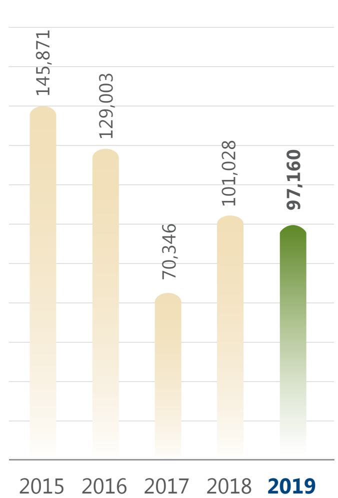
Genetec Technology BERHAD (445537-W)

- 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)

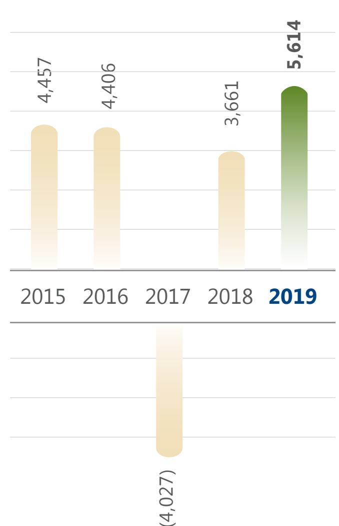
FIVE YEARS GROUP FINANCIAL HIGHLIGHTS

	2015 RM'000	2016 RM'000	2017 RM'000 (Restated)	2018 RM'000	2019 RM'000
OPERATING RESULTS					
Revenue	145,871	129,003	70,346	101,028	**97,160**
EBITDA	8,960	12,641	133	9,345	**7,688**
Profit/(Loss) Before tax	3,663	8,266	(3,117)	5,893	**4,220**
Profit/(Loss) After tax	4,970	6,794	(3,636)	5,117	**5,991**
Net Profit/(Loss) Attributable to Owners of the Company	4,457	4,406	(4,027)	3,661	**5,614**
KEY BALANCE SHEET DATA					
Total Assets	161,675	103,551	98,218	117,675	**119,579**
Share Capital	35,174	35,174	53,553	58,442	**63,016**
Capital and Reserves	61,213	67,658	63,296	77,456	**83,358**
PROFITABILITY RATIOS					
Return on Total Assets (%)	3	7	(4)	4	**5**
Return on Average Equity (%)	9	11	(6)	7	**7**
GEARING RATIO					
Net Debt to Capital and Reserves (Times)	0.46	0.14	0.15	0.06	**0.04**
VALUATION					
Basic Earning/(Loss) per ordinary share (Sen)	12.67	12.53	(11.45)	10.17	**13.82**

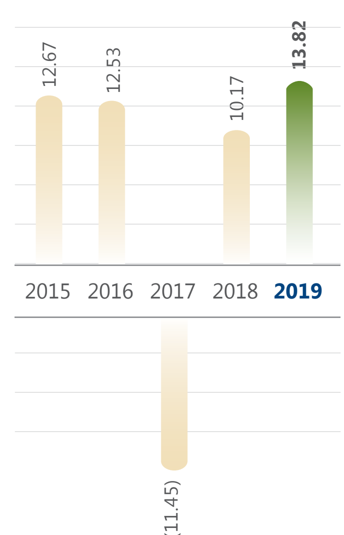
REVENUE (RM'000)



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



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



PROFILE OF DIRECTORS

HEW VOON FOO
Independent Non-Executive Director
Aged 58 / Male / Malaysian

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 a 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
Executive Director / Managing Director
Aged 49 / 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.

SOW EWE LEE
Executive Director / Chief Operating Officer
Aged 49 / Male / Malaysian

Mr Sow was appointed as the Chief Operating Officer of the Company since 1 October 2009 and as an Executive Director of the Company on 1 October 2018. He is responsible for overseeing the overall operations of the Company. 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. Other than the Company, Mr Sow has no directorship in other public companies and listed corporations.

TAN MOON TEIK
Executive Director
Aged 48 / 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 DIRECTORS

TEH KIM SENG
Independent Non-Executive Director
Aged 52 / Male / Malaysian

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. He has over 28 years of experience in the legal, mergers and acquisition, corporate finance, venture capital and financial services arenas. Mr Teh founded and 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 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 Crowdplus Sdn Bhd, an equity crowdfunding registered with the Securities Commission of Malaysia. He 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.

CHEN KHAI VOON
Non-Independent Non-Executive Director
Aged 59 / Male / Malaysian

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.

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 49 / Male / Malaysian

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

SOW EWE LEE
Chief Operating Officer
Aged 49 / Male / Malaysian

The profile of Mr Sow Ewe Lee is listed in the Profile of Directors.

TAN MOON TEIK
Managing Director of
CLT Engineering Sdn Bhd
Aged 48 / Male / Malaysian

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

TAN KON HOAN
Financial Controller
Aged 48 / 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 to joining 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 53 / Male / Malaysian

Mr Goh was appointed as Senior Vice President – Operations of the Company on 21 October 2009. He is responsible for overseeing the Engineering (Assembly), Procurement, Supplier Quality Engineering, Production and Quality Control. Mr Goh 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:
- holds 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 (if any), 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 the provision of high-quality, responsive and cost-effective design, responsible for manufacturing automated industrial systems, equipment and value-added services to our global customers in the Automotive, Hard Disk Drive (HDD), Electronics, Pharmaceutical, Semiconductor and Consumers industries.

OBJECTIVES AND STRATEGIES

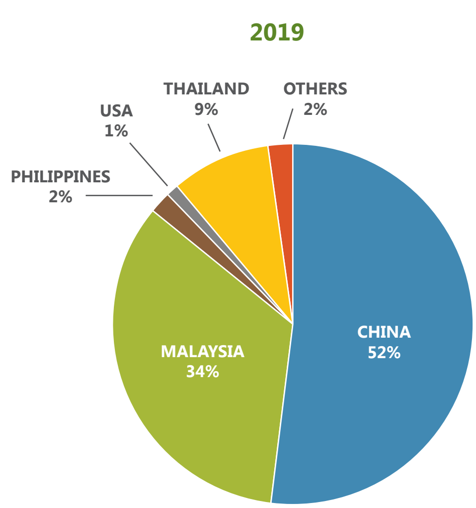
The Group aspires to be a leading supplier of a customized full turnkey factory automation and stand-alone prototype equipment for mass volume production use worldwide. We are a focused supplier of customized equipment that allows our customers to increase the value and capability of their products.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

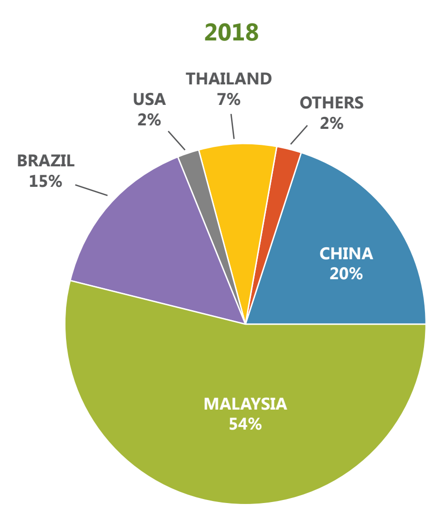
BUSINESS AND OPERATIONS OVERVIEW

Currently, Genetec's business and operations consist primarily of two core sectors, namely Automotive and HDD. 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, 66% (2018: 46%) of our products were exported to overseas markets namely the People's Republic of China, the USA and other countries in Asia. Our Group recorded a revenue of RM97.2 million for the financial year ended 31 March 2019, representing a decrease of 3.8% from the preceding year's revenue of RM101.0 million mainly due to lower orders from the HDD sector.

TURNOVER BY GEOGRAPHICAL LOCATIONS





MANAGEMENT DISCUSSION & ANALYSIS

Revenue derived from our key Automotive sector increased by 39.3% to RM53.5 million (2018: RM38.4 million), accounting for 55% of the Group's total revenue (2018: 38%). The revenue derived from our HDD sector decreased by 32.4% to RM40.6 million (2018: RM60.1 million), accounting for 42% of the group's revenue as compared to 60% for the preceding year. The decrease of 18% was mainly due to a lower global demand. The Electric Vehicle and Autonomous Driving from Automotive sector continue 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. We believe that with our leading position in the development of factory automation solutions, we would be able to tap on the burgeoning demand for Electric Vehicle and Autonomous Driving. The Group also continued to devote efforts to widen the customer base of its Automotive business line by developing more in-depth relationships with our existing and target customers. 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 steady and satisfactory growth.

Research and Development is always our long-term strategy to continuously maintain our market share in the Automotive and HDD 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

Our gross profit margin has improved to 20% (2018: 18%) for the year ended 31 March 2019 mainly due to undertaking of projects with higher margins as well as operational efficiency. The Group recorded a Profit Before Tax of RM4.2 million for the current year under review as compared to a Profit Before Tax of RM5.9 million in the previous financial year. Apart from lower revenue derived from HDD sector, the recognition of impairment loss on goodwill of RM5.0 million had also impacted the performance of the current year.

Administrative Expenses

During the year under review, administrative expenses has decreased by 33% to RM7.2 million (2018: RM10.7 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 in previous financial year.

Finance Cost

Finance costs decreased RM0.1 million or 8% from RM1.2 million for the previous financial year to RM1.1 million in the current year as the Group has reduced its bank borrowings which included bankers acceptances and revolving loans.

Statement of Financial Position

Property, plant and equipment decreased by RM0.9 million or 2.5% from RM36.3 million in previous year to RM35.4 million in the current year. The decrease is mainly resulted from the depreciation charge of RM2.4 million during the financial year.

The RM1.5 million Other Investment (2018: RM6.3 million) 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. The Group's cash and bank balances and Other Investment decreased by RM7.0 million from RM22.5 million as at 31 March 2018 to RM15.5 million as at 31 March 2019. The decrease in cash and bank balances and Other Investment was mainly due to the repayment of bank borrowings and payment of dividends in the current year.

The Group generally financed its operations and investing activities by internally generated financial resources and borrowings from bank. The Group's borrowings decreased by 19% from RM21.0 million at the end of the previous financial year to RM17.0 million. The decrease was mainly due to repayment of bank borrowings amounted to RM4.0 million during the financial year. Our term loans position on 31 March 2019 was RM10.0 million, down 9.1% from RM11.0 million at the end of the previous financial year. Debt-to-equity ratio has reduced from 0.06 in 2018 to 0.04 in 2019.

MANAGEMENT DISCUSSION & ANALYSIS

SHARE PERFORMANCE

HIGHEST SHARE PRICE WITHIN FYE2019	**RM2.05 ▲**
LOWEST SHARE PRICE WITHIN FYE2019	**RM1.15 ▼**

TOTAL VOLUME TRADED: 33,992,200 shares

TOTAL MARKET CAPITALISATION: RM73.1 Million

DIVIDEND

The Group declared a total dividend of 5 sen for the financial year ended 31 March 2019, which consist of a first interim dividend of 2.5 sen per ordinary share and a second interim dividend of 2.5 sen per ordinary share. Total dividend amounted to RM2.1 million.

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 continuing 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 programs 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. Employees' 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 the upcoming financial year 2020. In this environment, we will continue to maintain our efforts on investments in technologies and enhancement of innovation capabilities that support our strategy to further increase our operational efficiencies across all areas of our business. We also plan to increase our investment in research and development of component assembly lines in respect of Electric Vehicle and Autonomous Driving. The Group's investment decision is made after comprehensive consideration of various factors such as the business viabilities and potential returns of the projects, the legal and regulatory requirements and financial capabilities of the Group.

MANAGEMENT DISCUSSION & ANALYSIS

FORWARD-LOOKING STATEMENT (continued)

Each business sector will also be assessed continuously on its relative strength, market profitability and sustainable development. Our strategy is to restore revenue growth in the existing business sectors as well as explore opportunities for synergistic partnerships in other sectors. Maintaining a diversified investment portfolio is the Group's long-term investment strategy.

The Automotive and HDD businesses of the Group operate in a highly competitive industry, the Group faces competition from global technology companies and rapid technological change. We anticipate the HDD industry to remain challenging with the softening of the global demand. With a view to diversify and drive revenue growth, the Group has been adopting a strategy of expanding from its focus on HDD sector to other high growth markets, strengthening its efforts in securing sales orders from Automotive and other Non-HDD sectors so as to ease the pressure on decreasing sales of HDD sector. Particular attention is given to the huge automotive industry in China and Europe. Currently, our Automotive customer base is worldwide and notably China is experiencing steady growth in the Electric Vehicle and Autonomous Driving sector for the past years. We foresee China's Automotive industry will continue to grow and we look to obtain a larger share of the market. This sector has maintained a steady growth momentum. As most of the cars manufactured in China are sold within China and are rarely sold to the United States, it is unlikely that the Group's business in the Automotive sector will be affected by the United States-China trade dispute. In addition, backed by the customers' recognition for our historical performance, the Group remains optimistic towards the prospect and growth of the Automotive sector.

According to Moody's Report (March 2019), global auto sales are to continue their decline during the first two quarters of 2019 before recovering in the second half, with China's new policy guidance on promoting auto consumption, it is expected to boost auto purchases. Moody's has projected that global light vehicle sales will grow only 0.5 percent in 2019 and 0.8 percent in 2020.

We will seek growth and higher returns by sharpening our competitive edge, and will also implement more stringent budgetary planning and manage our resources as effectively as possible. Our management team possesses the capability to overcome difficulties. So far, Genetec has demonstrated a successful track record of taking on the challenges of market downturns and emerging strongly each time. We are confident about repeating the same. Externally, we believe the demand for Electric Vehicles and Autonomous Driving Components will remain strong as we are entering a high growth potential period largely driven by the arrival of the data era, a world that is increasingly emphasised on smart factory system solutions due to technological changes brought about by Artificial Intelligence (AI). AI is widely expected to experience fast growth and will boost the Automotive industry. Internally, Genetec has prepared well for the market opportunities brought about by the Industry 4.0. One of our visions is to transform Genetec into a worldwide provider of hardware and software solutions.

In addition, the Group will continue to strengthen its research and development as well as innovation capabilities. We strive to continuously enhance the core competitiveness and achieve the long-term business growth of the Group. We expect the Group's performance for the financial year 2020 to be satisfactory.

SUSTAINABILITY STATEMENT

This sustainability statement covers the reporting period from 1 April 2018 to 31 March 2019 and is prepared in accordance to the Economic, Environment and Social Reporting Guide in Paragraph 30, Appendix 9C of the ACE Market Listing Requirements. This report highlights the environmental initiatives carried out by the Group, focusing on the factory operations in Subang Jaya and Bandar Baru Bangi as well as elaborates on the economic and social impact brought by the Group.

STAKEHOLDER ENGAGEMENT

The Group strives to create long-term value for our stakeholders. The Group maintains ongoing dialogue and engage with numerous key stakeholders, including shareholders, customers, employees, bankers, suppliers and regulators, to understand their expectations and address their concerns. The Group collects feedback from stakeholders regularly through a range of channels such as meetings, interviews, focus group discussions, surveys and feedback programmes.

ENVIRONMENT

The world is facing increasing challenges due to climate change and shortages in resources. As a responsible corporate citizen, the Group, while actively developing the business, is also committed to promoting the development of the local economy, the protection of the environment, and the well-being of its employees. The Group stringently complies with local laws and regulations set by the Department of Environment ("DOE") concerning environmental protection and pollution control.

Waste Management

Waste is a by-product of our manufacturing process. The waste from our factories are generally classified into hazardous waste and non-hazardous waste. All hazardous and non-hazardous wastes produced during production activities will be collected, sorted and stored at a designated temporary storage area. Hazardous waste (e.g., disposed containers, bags contaminated with chemicals, coolant, mineral oil, bubble pack, cloth and stretch film) are handled by licensed disposal service provider permitted by the DOE. Non-hazardous waste (e.g., plastic and paper) will be recycled or reused if possible; those that cannot be recycled will be disposed appropriately.

Use of Resources

Electricity is required for the operation of the Group's factories, and water is mainly consumed in office and washrooms. At the Group's offices and factories, the indoor temperature and the running time of air conditioning system are controlled to reduce energy consumption and carbon emissions. The Group currently consumes a normal level of energy and water according to the size of its operation.

Supply Chain Management

The management continuously monitors all business operations with the view to reduce any possible negative impact on the environment or society. Such scrutiny extends to the supply chain management, with the Group placing emphasis on product quality during the selection process. Suppliers are evaluated on a biannual basis by taking into account their product quality, capability of on-time delivery and responsiveness. Those suppliers who fail to meet the requirements will ultimately be disqualified.

SUSTAINABILITY STATEMENT

ECONOMIC

Product Quality Delivery

The Group is committed to providing innovative and high-quality products to its customers. With the Group's extensive experience in the manufacturing of automated industrial systems and equipment, as well as product quality assurance in accordance with ISO 9001: 2015 Quality Management System, the quality and safety performance of its products are guaranteed. The manufacturing process is in strict compliance with the quality requirement by following the quality control procedures from product design, production to delivery. We have implemented Annual Customer Surveys to obtain feedback from ordering process to delivery and product quality. During the reporting period, there was no product recall nor return and no significant complaint in product quality from customers.

Procurement Through Local Supply Chain

The Group supports the communities where we operate by working closely with local suppliers. We prioritise the procurement of goods and services from local suppliers who meet our prescribed standards. By supporting the local suppliers, we are able to create job opportunities to the local communities. The local suppliers' capabilities in serving the manufacturing industry supply chain will be strong and competitive which in turn enables the Group to consistently produce high quality products.

SOCIAL

Employment

Employees are regarded as the most important and valuable assets and core competitive advantage of the Group. They also remain as the main driving force behind the continuous innovation of the Group. The Group rewards and recognises performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. The Group strictly complies with relevant laws and regulations relating to employment, labour relations, employees' remuneration and welfare to protect the rights of employees.

Occupational Safety and Health

The Group has been committed to protect employees' health and safety. Sound management systems have been established for occupational health and safety in compliance with respective regulations. Training sessions including emergency first-aid are provided to the Emergency Response Team and Employee Safety & Health Committee. A fire drill is carried out at least once a year within the Group. During the year ended 31 March 2019, the Group did not encounter any major occupational accidents during operations.

Development and Training

The Group has been continuously creating various learning opportunities for the employees in order to enhance their competence, job skills, knowledge and performance. We motivate and support our employees in terms of personal and professional training through sponsorships or reimbursement of training costs. The Group also recognises that certain jobs and functions may be enhanced by an employee's joining membership to certain professional and technical associations. An employee will be reimbursed for the annual subscription fee for professional memberships.

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 2019 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 assumes the following, amongst others, roles and responsibilities, in enhancing the Board's effectiveness in the pursuit of corporate objectives:

- Reviewing and adopting strategic plans for the Company which will enhance the future growth of 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 include 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 remains 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 Board has elected a Chairman from amongst the members of the Board who is an Independent Director. The Chairman provides leadership and guidance 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 Directors 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 is qualified to act as company secretary under Section 235 of the Companies Act 2016 in fulfilling the fiduciary duties.

The company secretary plays an advisory role in supporting the Board and Board Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company, particularly Companies Act 2016, AMLR of Bursa Securities, MCCG, Company's Constitution and Board Charter.

The company secretary manages the logistics of all Board, Board Committees and general meetings. She ensures minutes of all meetings are properly recorded and reflected the correct proceedings of the meetings, including whether any Director abstained from voting or deliberating on a particular matter.

During the financial year under review, all Board and Board Committees meetings were properly convened, and accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.

Overall, the Board is satisfied with the services and support rendered by the company secretary to the Board in the discharge of her functions.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

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

Access to Information and Advice (continued)

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.

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 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, when necessary, to ensure it remains relevant and effective at the prevailing time and business environment. The last review of the Board Charter was performed and approved by the Board on 28 February 2018.

The Board Charter is available at the Company's website at www.genetec.net.

3. Good Business Conduct and Corporate Culture

Code of Conduct and Ethics

The Company has adopted two distinct sets 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 honesty 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 at www.genetec.net 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 behaviour, 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 at www.genetec.net and will be reviewed by the Board as and when the need arises.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition

4. Board's Objectivity

Composition of the Board

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

Three (3) Executive Directors;
Two (2) 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 stipulates that at least two directors or one-third of the Board, whichever is higher, are independent directors.

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 while assuring the interest of other parties are adequately protected as well as being accorded with due consideration.

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 Independent Non-Executive Directors and the Non-Independent Non-Executive Director form half of the Board size, make a positive contribution and development of the Company's strategy and policies through independent, constructive and informed comments. Nevertheless, the Board through the Nomination Committee will continuously evaluate suitable candidates for Independent Directors to form at least half of the Board to comply with Practice 4.1 of the MCCG. However, the process should be exercised with due care and careful assessment has to be made based on merits, skills, knowledge, appropriate experience and time commitment to ensure that the candidates would be able to contribute to the effectiveness of the Board.

Tenure of Independent Director

The Company does not have a formal policy which limits the tenure of its Independent Directors to nine (9) years. As stated in the Board Charter, the tenure of Independent Director shall not exceed a cumulative term of nine (9) years. However, the retention of Independent Directors after serving a cumulative of nine (9) years shall be subject to shareholders' approval annually in line with the recommendation of the MCCG.

The Board would ensure that the Nomination Committee undertakes an assessment of the independent directors annually. Based on the assessment conducted by the Nomination Committee, 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.

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 judgement and ability to act in the best interest of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4. Board's Objectivity (continued)

Tenure of Independent Director (continued)

As at the date of this Statement, the Nomination Committee and Board have duly assessed, determined and resolved that the Independent Non-Executive Director of the Company namely Mr Hew Voon Foo, who has served on the Board for more than nine (9) years, to remain as Independent Director based on the following justifications as well as contributions from Mr Hew Voon Foo, as a member of the Board and also member of the Board Committees:

(a) He fulfilled the criteria under the definition of Independent Director as stated in the AMLR of Bursa Securities.
(b) He has familiarised himself with the business and provides the element of objectivity to the Board.
(c) He has actively participated in the Board and Board Committee meetings and possesses the appropriate competencies to enable him to apply professional judgement.
(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.

Hence, the Board would table the ordinary resolution to the shareholders at the forthcoming Annual General Meeting to retain Mr Hew Voon Foo as an Independent Non-Executive Director of the Company.

Re-election of Directors

The Nominating Committee also conducted an assessment of the Directors who are subject to retirement at the forthcoming Annual General Meeting in accordance with the provisions of the Constitution (Articles of Association of the Company as adopted before the commencement of the Companies Act 2016) of the Company and the relevant provisions of the Companies Act 2016. The Constitution requires that one-third of the Directors to retire by rotation and seek re-election at each Annual General Meeting and that each Director shall submit himself/herself or re-election once every three years. Any Director newly appointed, shall hold office only until the next Annual General Meeting of the Company and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting. In this respect, 3 Directors will be retiring at the forthcoming Annual General Meeting, namely Mr Tan Moon Teik, Mr Teh Kim Seng and Mr Sow Ewe Lee who was newly appointed to the Board. They shall retire accordingly, and being eligible, offer themselves for re-election at the Company's forthcoming Annual General Meeting.

Diverse Board and Senior Management

The Company recognises the benefits arising from employees and Board diversity and the Board does not practice any form of gender, ethnicity and age group business as all candidates for either Board or senior management shall be given fair and equal treatment. Any new appointments of Board or senior management shall be based on merits, objective criteria and with regard for diversity in skills and experience.

Gender Diversity Policy

The Company has in place Diversity Policy as set out in the Board Charter which provides a framework for the Company to improve its gender diversity at the senior management and Board level. Any new appointments of Board or senior management shall be based on merits, objective criteria and with regard for diversity in skills and experience. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4. Board's Objectivity (continued)

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.

Mr Sow Ewe Lee, the Chief Operating Officer of the Company, was recommended by the existing Board member to the Nomination Committee for review. The Nomination Committee reviewed his profile, curriculum vitae and academic qualifications; and also considered his background, skills, experiences and competencies for appointment as an Executive Director.

The Board after taking into consideration of the Nomination Committee's recommendation approved the appointment of Mr Sow Ewe Lee to the Board.

Based on the above approach, the Nomination Committee concluded that other sources such as Directors' registry or open advertisement were not used to identify the appropriate candidate bearing in mind that the industry in which the Company operates in, it is the best approach to recruit internally for a suitable and qualified candidate as an Executive Director from the Company.

Nomination Committee ("NC")

The NC of the Company comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors. Its composition is as follows:-

Position	Name of Director	Directorate
Chairman	Hew Voon Foo	Independent Non-Executive Director
Member	Teh Kim Seng	Independent Non-Executive Director
Member	Chen Khai Voon	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;
- Facilitated the self and peers' assessment of each individual Director;
- Reviewed the required mix of skills, experience and other qualities of the Board;
- 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 status of the Independent Directors;
- Reviewed the succession planning for board chairman, directors and key management personnel;
- 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;
- Nominated and recommended to the Board, the appointment of Mr Sow Ewe Lee as an additional member of 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 recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Board Committees. The NC is given the task to review and evaluate the individual Director's performance and the effectiveness of the Board and Board Committees on an annual basis.

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.

Board and Board Committee Meetings

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 2019 is set out in the table below:

Type of Meetings / Name of Directors	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee
	Attendance during tenure in office			
Hew Voon Foo	5/5	5/5	2/2	2/2
Chin Kem Weng	5/5	N/A	N/A	N/A
Tan Moon Teik	5/5	N/A	N/A	N/A
Chen Khai Voon	4/5	4/5	2/2	2/2
Teh Kim Seng	5/5	5/5	2/2	2/2
Sow Ewe Lee *(Appointed on 1 October 2018)*	2/2	N/A	N/A	N/A
Wong Wai Tzing *(Resigned on 1 October 2018)*	3/3	3/3	N/A	N/A

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 the 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 decision to be made.

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)

Board and Board Committee Meetings (continued)

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 are 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 corporations at any one time to ensure that the Directors devote sufficient time and effort in discharging their responsibilities.

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:-

- Sales and service tax outlook, income tax audit convergence with GST audit
- Case Study Workshop for Independent Directors – "Rethinking – Independent Directors: Board Best Practice"
- New Accounting Standard – MFRS 16, *Leases*

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.

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.

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 Policy (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 Remuneration Committee or Board level as the case may be.

The Board, through the Remuneration Committee, is responsible for determining the remuneration of the Executive Directors and senior management. The Remuneration Committee also reviews the fee and/or remuneration package of the Directors on an annual basis before tabling their recommendation to the Board for further deliberation/ approval.

The Remuneration Policy for Directors and senior management is available on the Company's website at www.genetec.net.

Remuneration Committee ("RC")

The RC of the Company comprises exclusively of all Non-Executive Directors and a majority of whom are Independent Directors. Its composition is as follows:-

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

The RC is entrusted to assist the Board in determining, developing and recommending an 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

7. Remuneration of Directors and Senior Management

Directors' Remuneration

Pursuant to the AMLR of Bursa Securities and in line with Practice 7.1 of the MCCG, the remuneration received by Directors of the Company, on a named basis, from the Company and Group for the financial year ended 31 March 2019 is disclosed as follows:

	Fees		Salaries	Bonus	Benefits-in-kind	Total	
	Group	Company				Group	Company
	RM	RM	RM	RM	RM	RM	RM
Executive Directors							
Chin Kem Weng	-	-	851,300	290,000	28,000	1,169,300	1,169,300
Tan Moon Teik	-	-	479,150	35,000	60,000	574,150	-
Sow Ewe Lee *(Appointed on 1 October 2018)*	-	-	239,580	174,000	11,975	425,555	425,555
Non-Executive Directors							
Hew Voon Foo	96,000	96,000	-	-	-	96,000	96,000
Teh Kim Seng	72,000	72,000	-	-	-	72,000	72,000
Chen Khai Voon	72,000	72,000	-	-	-	72,000	72,000
Wong Wai Tzing *(Resigned on 1 October 2018)*	36,000	36,000	-	-	-	36,000	36,000
Total	**276,000**	**276,000**	**1,570,030**	**499,000**	**99,975**	**2,445,005**	**1,870,855**

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 senior 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.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee ("AC")

8. Effective and Independent Audit Committee

The AC is chaired by an Independent Director who is distinct from the Chairman of the Board. 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 policy on observation of a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as an AC member is incorporated in the Auditors Policy which has been approved and adopted by the Board on 28 February 2018. Presently, none of the members of the AC is a former key audit partner.

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 also empowered by the Board to review any matters concerning the appointment and re-appointment, resignation or dismissal of External Auditors and; review and evaluate factors relating to the independence of the External Auditors. The AC, having assessed the External Auditors' performance, will make its recommendation for re-appointment of the External Auditors for shareholders' consideration at the Annual General Meeting of the Company.

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 2019 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.

Risk management is an integral part of the Group's business operations and 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

It is the responsibility of the Board to maintain sound systems of internal controls to safeguard shareholders' investment. As the systems of internal controls are designed to mitigate rather than eliminate the likelihood of errors or fraud, these systems can only provide reasonable assurance against material misstatement or loss.

The AC is entrusted by the Board to ensure the effectiveness of the Group's internal control systems. The internal audit function is outsourced to an independent professional service firm to carry out reviews on the Group's overall corporate governance and internal control processes.

The internal audit function is guided by Internal Audit Charter which was approved by the AC. Audit engagement is focused on areas of priority according to the risk assessment and in accordance with the audit plans approved by the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

II. Risk Management And Internal Control Framework (continued)

10. Effective Governance, Risk Management and Internal Control (continued)

The Internal Auditors adopt a risk-based approach towards the planning and conduct of the audits, which are consistent with the Group's framework in designing, implementing and monitoring internal control systems. 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 AC is also empowered by the Board to review any matters concerning the appointment and re-appointment, resignation or dismissal of Internal Auditors and review and evaluate factors relating to the independence of the Internal Auditors.

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.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL 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 is disseminated through various disclosures and announcements to Bursa Securities. Annual reports, quarterly financial results, announcements to Bursa Securities, analyst reports, media releases 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 also 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 about 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP STAKEHOLDERS (continued)

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 the 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 attending the general meetings and Chairman of the Board Committees will provide a 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 the 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. Where applicable, the Board will ensure that each item of special business that is included in the notice of meetings is accompanied by a full written explanation of that resolution and its effects to facilitate its understanding and evaluation.

COMPLIANCE STATEMENT

The Board is satisfied that to the best of its knowledge, the Company is substantially in compliance with the principles and practices set out in the MCCG as well as the relevant AMLR for the financial year ended 31 March 2019. Any practices in the MCCG which have not been implemented during the financial year will be reviewed by the Board and implemented where possible and relevant to the Group's business.

This Statement was presented and approved by the Board on 10 July 2019.

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

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 are 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 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 controls 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.

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 ensure that the Group's policies and procedures are in place and appropriate actions are being taken on highlighted internal control weaknesses to improve operational efficiencies and consistency of quality of products and work standards.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTERNAL CONTROL SYSTEM (continued)

Information and Communication

- The Group implemented enterprise resource planning system to provide informative and relevant reports, thus assisting in the decision-making process.
- 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 issues highlighted through the conduct of follow-up audits to improve on current processes and internal controls.
- Quarterly reviews on financial results 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 2019, 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 10 July 2019.

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
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 ended 31 March 2019, 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	Attendance during tenure in office
Teh Kim Seng	5/5
Hew Voon Foo	5/5
Chen Khai Voon	4/5
Wong Wai Tzing *(Resigned on 1 October 2018)*	3/3

The Internal Auditors attended four (4) 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.

AUDIT COMMITTEE REPORT

MEETINGS (continued)

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.

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 unaudited quarterly financial results of the Group including the announcements pertaining thereto presented by the management before recommending to the Board for their consideration and 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 2019 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 2018.

(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. The Group's External Auditors also confirmed their independence and the Committee having been satisfied with their independence, stability and performance of Messrs. KPMG PLT made recommendations to the Board on the re-appointment of External Auditors.

(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.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE COMMITTEE (continued)

External Audit (continued)

(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 was no major issue raised during the meeting.

Internal Audit

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

(ii) 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 a timely basis.

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

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

(v) 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.

Related Party Transactions

(i) Reviewed the recurrent related party transactions ("RRPT") entered into by the Group on a 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 is not involved 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 the 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 with 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) completed 5 reviews as per the approved risk-based internal audit plan is as follows:

Name of Entity Audited	Audited Areas
CLT Engineering Sdn Bhd	• QA and QC Management • Machineries Maintenance, Facilities Maintenance, and Occupational Safety and Health
Genetec Technology Berhad	• Recurrent Related Party Transactions; and Safety, Health And Environment Management (Factory) • Human Resource Management • Machineries Maintenance, Facilities Maintenance, and Occupational Safety and Health

(b) 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;

(c) 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;

(d) 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 adequately addressed by the management.

(e) 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 2019 was RM56,956.55 (2018: RM43,860.15).

FINANCIAL STATEMENTS

DIRECTORS' REPORT
For the Year Ended 31 March 2019

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 2019.

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	5,613,508	9,462,693
Non-controlling interests	377,093	-
	5,990,601	9,462,693

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

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of financial year ended 31 March 2019, a first interim dividend of RM0.025 per ordinary share amounting to RM1,006,447 was paid on 28 September 2018.

ii) In respect of financial year ended 31 March 2019, a second interim dividend of RM0.025 per ordinary share amounting to RM1,053,460 was approved by the Board of Directors on 26 February 2019 and was paid on 1 April 2019.

There is no final dividend recommended by the Directors in respect of the financial year ended 31 March 2019.

DIRECTORS' REPORT

For the Year Ended 31 March 2019

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
Teh Kim Seng
Chen Khai Voon
Sow Ewe Lee (appointed on 1 October 2018)
Wong Wai Tzing (resigned on 1 October 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 1.4.2018	**Bought**	**Sold**	**At 31.3.2019**
Interests in the Company:				
Chin Kem Weng				
- Direct	2,048,150	*150,000	-	2,198,150
Tan Moon Teik				
- Direct	1,860,200	*150,000	-	2,010,200
Chen Khai Voon				
- Indirect ^	4,564,000	-	-	4,564,000
Hew Voon Foo				
- Direct	-	*100,000	-	100,000
Teh Kim Seng	-	*100,000	-	100,000
- Direct				
Sow Ewe Lee	-	*200,000	-	200,000
- Direct				

DIRECTORS' REPORT
For the Year Ended 31 March 2019

DIRECTORS' INTERESTS IN SHARES (continued)

	Number of option over ordinary shares			
	At 1.4.2018	Granted	Exercised	At 31.3.2019
Chin Kem Weng	530,000	-	(150,000)	380,000
Tan Moon Teik	500,000	-	(150,000)	350,000
Chen Khai Voon	100,000	-	-	100,000
Hew Voon Foo	100,000	-	(100,000)	-
Teh Kim Seng	100,000	-	(100,000)	-
Sow Ewe Lee	400,000	-	(200,000)	200,000

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

* *Allotted pursuant to the ESOS.*

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.

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 Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

a) 2,832,500 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.

DIRECTORS' REPORT
For the Year Ended 31 March 2019

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%).

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.

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

Date of offer	Exercise price	At 1.4.2018	Granted	Exercised	Forfeited	At 31.3.2019
19 December 2017	RM1.01	4,613,600	-	(2,832,500)	(46,000)	1,735,100

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.

DIRECTORS' REPORT

For the Year Ended 31 March 2019

OTHER STATUTORY INFORMATION (continued)

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, the financial performance of the Group and of the Company for the financial year ended 31 March 2019 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.

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: 10 July 2019

STATEMENTS OF FINANCIAL POSITION
As At 31 March 2019

		Group		Company	
	Note	2019	2018	2019	2018
		RM	RM	RM	RM
Assets					
Property, plant and equipment	3	35,354,671	36,285,300	16,130,853	15,823,477
Goodwill	4	10,559,876	15,559,876	-	-
Investments in subsidiaries	5	-	-	28,546,809	29,746,809
Deferred tax assets	14	2,127,393	-	2,127,393	-
Total non-current assets		48,041,940	51,845,176	46,805,055	45,570,286
Inventories	6	7,312,961	14,663,386	4,610,619	11,259,946
Derivative financial assets	7	-	1,313,566	-	1,313,566
Trade and other receivables	8	47,412,359	26,190,458	34,461,871	8,744,742
Prepayments		190,542	126,670	129,095	126,670
Current tax assets		1,092,474	1,081,331	806,273	696,434
Other investment	9	1,542,478	6,335,375	1,542,478	6,335,375
Cash and cash equivalents	10	13,986,270	16,118,866	7,058,554	12,393,232
Total current assets		71,537,084	65,829,652	48,608,890	40,869,965
Total assets		119,579,024	117,674,828	95,413,945	86,440,251
Equity					
Share capital		63,016,265	58,441,778	63,016,265	58,441,778
Reserves		12,437,741	10,861,961	16,204,343	10,515,220
Equity attributable to owners of the Company	11	75,454,006	69,303,739	79,220,608	68,956,998
Non-controlling interests		7,904,134	8,152,652	-	-
Total equity		83,358,140	77,456,391	79,220,608	68,956,998
Liabilities					
Loans and borrowings	12	9,812,107	11,266,854	3,212,175	4,089,416
Deferred tax liabilities	14	1,366,032	1,044,238	-	-
Total non-current liabilities		11,178,139	12,311,092	3,212,175	4,089,416
Loans and borrowings	12	7,160,920	9,704,717	6,643,407	9,170,459
Derivative financial liabilities	7	408,991	-	408,991	-
Trade and other payables	15	17,472,834	18,202,628	5,928,764	4,223,378
Total current liabilities		25,042,745	27,907,345	12,981,162	13,393,837
Total liabilities		36,220,884	40,218,437	16,193,337	17,483,253
Total equity and liabilities		119,579,024	117,674,828	95,413,945	86,440,251

The notes on pages 50 to 119 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Note	Group		Company	
		2019	2018	2019	2018
		RM	RM	RM	RM
Revenue	16	97,159,781	101,027,639	61,765,599	52,354,874
Cost of sales		(77,445,803)	(82,507,660)	(45,497,843)	(40,942,833)
Gross profit		19,713,978	18,519,979	16,267,756	11,412,041
Other income		4,607,992	5,561,113	4,086,456	4,188,660
Administrative expenses		(7,245,493)	(10,710,423)	(5,043,641)	(7,206,617)
Distribution expenses		(2,646,001)	(2,215,242)	(2,167,557)	(1,683,510)
Other expenses		(9,264,590)	(4,156,944)	(5,218,106)	(3,579,717)
Results from operating activities		5,165,886	6,998,483	7,924,908	3,130,857
Finance income		145,415	112,419	131,690	105,017
Finance costs	17	(1,091,411)	(1,218,312)	(689,704)	(823,002)
Profit before tax		4,219,890	5,892,590	7,366,894	2,412,872
Tax expense	18	1,770,711	(113,926)	2,095,799	293,504
Profit from continuing operations		5,990,601	5,778,664	9,462,693	2,706,376
Discontinued operation					
Loss from discontinued operations	19	-	(661,705)	-	-
Profit for the year	20	5,990,601	5,116,959	9,462,693	2,706,376
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		(396,645)	976,796	-	-
Realisation of translation reserve arising from disposal of a subsidiary		-	(456,660)	-	-
Total other comprehensive (expense)/income for the year, net of tax		(396,645)	520,136	-	-
Total comprehensive income for the year		5,593,956	5,637,095	9,462,693	2,706,376

The notes on pages 50 to 119 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit attributable to:					
Owners of the Company		5,613,508	3,661,485	9,462,693	2,706,376
Non-controlling interests		377,093	1,455,474	-	-
Profit for the year		5,990,601	5,116,959	9,462,693	2,706,376
Total comprehensive income attributable to:					
Owners of the Company		5,349,350	4,082,821	9,462,693	2,706,376
Non-controlling interests		244,606	1,554,274	-	-
Total comprehensive income for the year		5,593,956	5,637,095	9,462,693	2,706,376
Basic earnings per ordinary share (sen):	22				
from continuing operations		13.82	11.11		
from discontinued operation		-	(0.94)		
		13.82	10.17		
Diluted earnings per ordinary share (sen):	22				
from continuing operations		13.62	11.03		
from discontinued operation		-	(0.93)		
		13.62	10.10		

The notes on pages 50 to 119 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

Group	Note	Share capital	Share option reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company						
			Non-Distributable		Distributable			
		RM	RM	RM	RM	RM	RM	RM
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 income 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-based payment transactions		-	3,220,778	-	-	3,220,778	-	3,220,778
Share options exercised		1,146,650	(429,550)	-	-	717,100	-	717,100
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		-	-	-	-	-	948,457	948,457
Changes in ownership interests in a subsidiary		-	-	-	-	-	(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				

The notes on pages 50 to 119 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019 (continued)

		Attributable to owners of the Company						
		Non-Distributable			Distributable			
Group	Note	Share capital RM	Share option reserve RM	Translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 April 2018		58,441,778	2,791,228	(911,505)	8,982,238	69,303,739	8,152,652	77,456,391
Foreign currency translation differences for foreign operations		-	-	(264,158)	-	(264,158)	(132,487)	(396,645)
Total other comprehensive expense for the year		-	-	(264,158)	-	(264,158)	(132,487)	(396,645)
Profit for the year		-	-	-	5,613,508	5,613,508	377,093	5,990,601
Total comprehensive income for the year		-	-	(264,158)	5,613,508	5,349,350	244,606	5,593,956
Share options exercised	13	4,574,487	(1,713,663)	-	-	2,860,824	-	2,860,824
Share options forfeited		-	(27,830)	-	27,830	-	-	-
		4,574,487	(1,741,493)	-	27,830	2,860,824	-	2,860,824
Dividends to owners of the Company	23	-	-	-	(2,059,907)	(2,059,907)	-	(2,059,907)
Dividends by a subsidiary to non-controlling interest	5	-	-	-	-	-	(493,124)	(493,124)
Total transactions with owners of the Company		4,574,487	(1,741,493)	-	(2,032,077)	800,917	(493,124)	307,793
At 31 March 2019		63,016,265	1,049,735	(1,175,663)	12,563,669	75,454,006	7,904,134	83,358,140
		Note 11	Note 11	Note 11				

The notes on pages 50 to 119 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

		Attributable to owners of the Company			
			Non-distributable	*Distributable*	
	Note	Share capital	Share option reserve	Retained earnings	Total equity
Company		RM	RM	RM	RM
At 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 option exercise		1,146,650	(429,550)	-	717,100
Share-based payment transactions		-	3,220,778	-	3,220,778
Issue of ordinary shares		3,742,415	-	-	3,742,415
At 31 March 2018/1 April 2018		58,441,778	2,791,228	7,723,992	68,956,998
Profit and total comprehensive income for the year		-	-	9,462,693	9,462,693
Dividends to owners of the Company	23	-	-	(2,059,907)	(2,059,907)
Share options exercised	13	4,574,487	(1,713,663)	-	2,860,824
Share options forfeited		-	(27,830)	27,830	-
At 31 March 2019		63,016,265	1,049,735	15,154,608	79,220,608
		Note 11	Note 11		

STATEMENTS OF CASH FLOWS
For the year ended 31 March 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities					
Profit before tax from:					
- continuing operations		4,219,890	5,892,590	7,366,894	2,412,872
- discontinued operations	19	-	(217,565)	-	-
		4,219,890	5,675,025	7,366,894	2,412,872
Adjustments for:					
Depreciation of property, plant and equipment	3	2,376,519	2,234,007	960,863	900,578
Finance costs	17	1,091,411	1,218,312	689,704	823,002
Interest income		(145,415)	(112,419)	(131,690)	(105,017)
Dividend income		-	-	(513,251)	-
Gain on disposal of property, plant and equipment, net		(181,420)	(148,189)	(142,612)	(108,044)
Property, plant and equipment written off		2,278	257	2,278	257
Impairment loss on amounts due from subsidiaries		-	-	18,358	10,410
Inventories written off		1,287	-	1,287	-
Impairment loss on trade receivables		6,556	403,812	6,556	403,812
Equity settled share-based payment transactions		-	3,220,778	-	2,638,103
Write down/(back) of inventories		54,322	(14,796)	54,322	(14,796)
Change in fair value of other investment		(207,103)	(209,911)	(207,103)	(209,911)
Net unrealised derivative loss/(gain)		408,991	(1,313,566)	408,991	(1,313,566)
Net unrealised foreign exchange loss		569,415	409,728	539,647	379,564
Impairment loss on investment in subsidiary		-	-	1,200,000	-
Impairment loss on goodwill		5,000,000	-	-	-
Reversal of impairment loss on trade receivables		(403,812)	(56,318)	(403,812)	-
Operating profit before working capital changes		12,792,919	11,306,720	9,850,432	5,817,264

The notes on pages 50 to 119 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the year ended 31 March 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities (continued)					
Operating profit before working capital changes (continued)		12,792,919	11,306,720	9,850,432	5,817,264
Changes in working capital:					
Inventories		7,294,816	(7,705,336)	6,593,718	(6,018,875)
Trade and other receivables, derivative financial assets		(21,396,370)	(86,627)	(24,565,736)	4,249,142
Prepayments		(63,872)	(45,018)	(2,425)	(45,018)
Trade and other payables and derivative financial liabilities		586,082	168,565	1,706,810	(2,116,710)
Cash (used in)/generated from operations		(786,425)	3,638,304	(6,417,201)	1,885,803
Tax refunded		195,402	-	-	-
Tax paid		(241,433)	(258,054)	(141,433)	(166,391)
Net cash (used in)/from operating activities		(832,456)	3,380,250	(6,558,634)	1,719,412
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(1,523,556)	(1,415,793)	(1,270,713)	(796,007)
Interest received		145,415	112,419	131,690	105,017
Dividend received		-	-	513,251	-
Proceeds from disposal of property, plant and equipment		256,808	209,358	142,808	132,075
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	19	-	(273,560)	-	-
Acquisition of non-controlling interests		-	(20,000)	-	-
Proceeds from disposal of other investment		5,000,000	-	5,000,000	-
Net cash from/(used in) investing activities		3,878,667	(1,387,576)	4,517,036	(558,915)

The notes on pages 50 to 119 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 March 2019

		Group		Company	
	Note	2019	2018	2019	2018
		RM	RM	RM	RM
Cash flows from financing activities					
Dividend paid to owners of the Company		(2,059,907)	-	(2,059,907)	-
Dividend paid to non-controlling interest		(493,124)	-	-	-
Proceed from issuance of shares		2,860,824	4,459,515	2,860,824	4,459,515
Net (repayment)/drawdown of trade finance facilities		(2,582,499)	5,579,742	(2,582,499)	5,579,742
Repayment of term loans		(963,003)	(1,298,847)	(583,436)	(549,136)
Interest paid on loans and borrowings		(1,091,411)	(1,218,312)	(689,704)	(823,002)
Repayment of finance lease liabilities		(453,042)	(221,893)	(238,358)	(156,008)
Net cash (used in)/from financing activities		(4,782,162)	7,300,205	(3,293,080)	8,511,111
Net (decrease)/increase in cash and cash equivalents		(1,735,951)	9,292,879	(5,334,678)	9,671,608
Effect of exchange rate fluctuations on cash held		(396,645)	976,876	-	-
Cash and cash equivalents at beginning of financial year	(ii)	16,118,866	5,849,111	12,393,232	2,721,624
Cash and cash equivalents at end of financial year	(ii)	13,986,270	16,118,866	7,058,554	12,393,232

(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 RM1,523,556 (2018: RM2,807,793) and RM1,270,713 (2018: RM1,576,007) respectively, of which Nil (2018: RM1,392,000) and Nil (2018: RM780,000) 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	2019	2018	2019	2018
		RM	RM	RM	RM
Cash and bank balances	10	13,986,270	16,118,866	7,058,554	12,393,232

The notes on pages 50 to 119 are an integral part of these financial statements.

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 2019 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 2019 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 10 July 2019.

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 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 tax (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee 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 Interest in Associates and Joint Venture*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

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

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

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 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019,

- from the annual period beginning on 1 April 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020; 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 accounting standards, interpretations or amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group or the Company except as mentioned below:

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.

Based on the assessments undertaken to date, the Group and the Company do not expect that the MFRS 16 will have significant impact on its financial statements.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (continued)

(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

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 those disclosed in Note 25, measurement of expected credit loss ("ECL") for impairment of financial instruments.

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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

(i) financial instruments
(ii) revenue recognition; and
(iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impact arising from the changes as a result of the adoption of MFRS 9 are disclosed in Note 30. There is no impact from the adoption of MFRS 15 apart from the extended disclosures.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. 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.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group or the Company elected not to restate the comparatives.

(i) Recognition and initial measurement

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

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Previous financial year

A financial instrument was 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 were directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

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)

Current financial year (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at fair value. Net gains or losses, including any interest or dividend income are recognised in profit or loss.

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

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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)

Previous financial year (continued)

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

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) 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 financial guarantee contract or a designated and effective hedging instrument, contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel; or

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Financial liabilities (continued)

Current financial year (continued)

(a) Fair value through profit or loss (continued)

c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in other comprehensive income and remaining amount of the changes in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition are also recognised in profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

Other financial liabilities categorised as fair value through profit or loss were 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)

(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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair values arising from financial guarantee contracts were classified as deferred income and were amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract became probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was 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 market place concerned.

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 are transferred, 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 of the financial asset 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

(d) **Property, plant and equipment** (continued)

(iii) **Depreciation** (continued)

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.

(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 and joint venture, 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 and joint venture.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(i) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognised loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability weighted average of credit losses.

The Group and the Company measure loss allowances as an amount equal to lifetime expected credit loss, except for cash and bank balance and other debt securities for which credit risk has not increased since initial recognition which are measured at 12-month expected credit loss. Loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit loss.

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

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

The Group and the Company assessed the risk of loss of each customer individually based on their financial information, past trend of payments, letter of undertaking from banks and external credit ratings, where applicable.

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

(i) **Impairment** (continued)

(i) **Financial assets** (continued)

Current financial year (continued)

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

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

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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 could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

(m) Revenue and other income

(i) Revenue

Current financial year

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) they transfer control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the assets.

The Group and the Company transfer control of goods or services at a point in time unless one of the following overtime criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided as the Group and the Company perform;
(ii) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 2018/1 April 2018	2,846,590	30,563,176	6,631,498	9,000,066	2,867,882	51,909,212
Additions	-	-	366,906	1,083,400	73,250	1,523,556
Disposals	-	-	(31,045)	(648,323)	(303,308)	(982,676)
Written off	-	-	(72,703)	(360,816)	-	(433,519)
At 31 March 2019	2,846,590	30,563,176	6,894,656	9,074,327	2,637,824	52,016,573
Depreciation						
At 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 2018/1 April 2018	608,077	4,148,759	3,994,341	6,168,323	704,412	15,623,912
Depreciation for the year	56,932	613,467	521,397	758,009	426,714	2,376,519
Disposals	-	-	(30,860)	(648,313)	(228,115)	(907,288)
Written off	-	-	(70,449)	(360,792)	-	(431,241)
At 31 March 2019	665,009	4,762,226	4,414,429	5,917,227	903,011	16,661,902
Carrying amounts						
At 1 April 2017	2,295,445	27,027,884	2,296,085	3,556,160	597,444	35,773,018
At 31 March 2018/1 April 2018	2,238,513	26,414,417	2,637,157	2,831,743	2,163,470	36,285,300
At 31 March 2019	2,181,581	25,800,950	2,480,227	3,157,100	1,734,813	35,354,671

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 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 2018/1 April 2018	2,846,590	13,128,649	4,272,949	4,347,850	1,654,076	26,250,114
Additions	-	-	194,063	1,003,400	73,250	1,270,713
Disposal	-	-	(28,595)	(648,323)	(21,793)	(698,711)
Written off	-	-	(72,703)	(360,816)	-	(433,519)
At 31 March 2019	2,846,590	13,128,649	4,365,714	4,342,111	1,705,533	26,388,597
Depreciation						
At 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 2018/1 April 2018	608,077	2,416,728	2,451,177	4,190,805	759,850	10,426,637
Depreciation for the year	56,932	262,573	284,957	94,000	262,401	960,863
Disposal	-	-	(28,410)	(648,313)	(21,792)	(698,515)
Written off	-	-	(70,449)	(360,792)	-	(431,241)
At 31 March 2019	665,009	2,679,301	2,637,275	3,275,700	1,000,459	10,257,744
Carrying amounts						
At 1 April 2017	2,295,445	10,974,494	1,258,247	193,597	450,553	15,172,336
At 31 March 2018/1 April 2018	2,238,513	10,711,921	1,821,772	157,045	894,226	15,823,477
At 31 March 2019	2,181,581	10,449,348	1,728,439	1,066,411	705,074	16,130,853

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Security

At 31 March 2019, land and buildings of the Group and of the Company with carrying amounts of RM27,982,531 (2018: RM28,652,930) and RM12,630,929 (2018: RM12,950,434) 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	
	2019	2018	2019	2018
	RM	RM	RM	RM
Plant and machineries	262,400	300,800	262,400	300,800
Motor vehicles	1,153,575	1,643,188	644,113	894,222
	1,415,975	1,943,988	906,513	1,195,022

3.3 Land

Included in the carrying amounts of land are:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Leasehold land with unexpired lease period of more than 50 years	2,181,581	2,238,513	2,181,581	2,238,513
	2,181,581	2,238,513	2,181,581	2,238,513

NOTES TO THE FINANCIAL STATEMENTS

4. GOODWILL

	Group RM
Cost	
At 1 April 2017/31 March 2018/1 April 2018	20,559,876
Accumulated impairment loss	
At 1 April 2017/31 March 2018/1 April 2018	(5,000,000)
Impairment loss	(5,000,000)
At 31 March 2019	(10,000,000)
Carrying amount	
At 1 April 2017/31 March 2018/1 April 2018	15,559,876
At 31 March 2019	10,559,876

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. In 2019, CLT Engineering Sdn. Bhd. experienced a significant decrease in sales order as compared to 2018. The Group anticipates the Hard Disk Drive ("HDD") industry to continue to be challenging with the softening of the global demand. An impairment loss was therefore recognised.

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 2020 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.

The carrying amount of goodwill amounting to RM15,559,876 was determined to be higher than its recoverable amount of RM10,560,000 and an impairment loss of RM5,000,000 (2018: Nil) was therefore recognised in "other expenses".

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 2.0% (2018: 5.0%) per annum over the five years projection period.
- Gross profit margin will be at 16% (2018: 16% to 17%).
- General and administrative expenses are expected to increase at 5.0% (2018: 5.0%) per annum taking into account inflationary pressure on prices.
- A pre-tax discount rate of 14.0% (2018: 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 2.0% (2018: 3.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

4. GOODWILL (continued)

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 RM7.0 million would have occurred had the discount rate increased by 1%.
- Impairment loss amounted to RM6.0 million would have occurred had the future planned revenue decreased by 2%.
- Impairment loss amounted to RM6.2 million would have occurred had the terminal growth rate decreased by 1%.

5. INVESTMENTS IN SUBSIDIARIES

	Company RM
Cost	
At 1 April 2017/31 March 2018/1 April 2018	31,456,804
Accumulated impairment loss	
At 1 April 2017/31 March 2018/1 April 2018	(1,709,995)
Impairment loss	(1,200,000)
At 31 March 2019	(2,909,995)
Carrying amount	
At 1 April 2017/31 March 2018/1 April 2018	29,746,809
At 31 March 2019	28,546,809

During the year, an impairment loss of RM1,200,000 (2018: Nil) was recognised as the recoverable amount of an investment in a subsidiary was determined to be lower than its carrying amount. The recoverable amount of the investment in subsidiary was based on value in use calculations, determined by discounting the pre-tax cash flow projections expected to be generated. The key assumptions used to determine the value in use of the investment in subsidiary are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES (continued)

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 2019	Effective ownership interest and voting interest 2018
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%	100%
FAS Technology Solution Sdn. Bhd. @	Malaysia	Design and development of standard automated industrial equipment. The Company has temporarily ceased operations.	100%	100%
Genetec Global Technologies, Inc. #, @	United States of America	Dormant.	100%	100%
Subsidiary of Genetec Global Technologies, Inc.				
IP Systems, Inc. #, @	United States of America	Dormant.	60%	60%

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

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:

2019	CLT Engineering Sdn. Bhd.	Other subsidiaries with individually immaterial NCI	Total
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI (RM)	13,914,844	(6,010,710)	7,904,134
Profit allocated to NCI (RM)	377,093	-	377,093
Summarised financial information before intra-group elimination			
As at 31 March	**RM**		
Non-current assets	19,223,818		
Current assets	23,507,250		
Non-current liabilities	(7,965,964)		
Current liabilities	(6,367,463)		
Net assets	28,397,641		
Dividend paid to NCI	493,124		
Year ended 31 March	**RM**		
Revenue	35,394,630		
Profit for the year	769,578		
Cash flows used in operating activities	5,327,021		
Cash flows used in investing activities	(125,118)		
Cash flows used in financing activities	(2,001,979)		
Net Increase in cash and cash equivalents	3,199,924		

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES (continued)

2018	CLT Engineering Sdn. Bhd.	Other subsidiaries with individually immaterial NCI	Total
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

6. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Raw materials	444,743	153,273	249,310	5,081
Consumables	126,997	282,903	66,950	197,048
Work-in-progress	6,741,221	14,227,210	4,294,359	11,057,817
	7,312,961	14,663,386	4,610,619	11,259,946
Recognised in profit or loss:				
Inventories recognised as cost of sales	57,264,955	62,256,400	32,330,437	27,990,217
Write down/(back) to net realisable value	54,322	(14,796)	54,322	(14,796)
Inventories written off	1,287	-	1,287	-

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

7. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS

	2019			2018		
	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	36,768,020	-	(408,991)	33,385,833	1,313,566	-

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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Trade					
Trade receivables		43,234,728	24,227,129	30,851,622	7,424,254
Non-trade					
Other receivables	8.1	3,779,530	1,057,129	2,893,867	345,292
Goods and services tax		196,898	736,387	56,228	307,723
Amounts due from subsidiaries	8.2	-	-	4,847,613	4,830,964
Deposits		201,203	169,813	77,478	83,088
		4,177,631	1,963,329	7,875,186	5,567,067
Impairment loss on amounts due from subsidiaries		-	-	(4,264,937)	(4,246,579)
		4,177,631	1,963,329	3,610,249	1,320,488
		47,412,359	26,190,458	34,461,871	8,744,742

8.1 Included in other receivables for the Group and the Company are advances to suppliers of RM1,752,760 (2018: RM270,133) and disbursements to shareholders held by share registrar of RM1,053,460 (2018: Nil) to facilitate the dividend payment after the end of the reporting period (see Note 15).

8.2 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 2019 were RM1,542,478 and RM0.531 (2018: RM6,335,375 and RM0.526) respectively. The Group and the Company recognised the investment held as a financial asset at fair value through profit or loss. The Group and the Company held 2,903,762 (2018: 12,035,286) units of the Fund as at 31 March 2019.

10. CASH AND CASH EQUIVALENTS

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash and bank balances	13,986,270	16,118,866	7,058,554	12,393,232

NOTES TO THE FINANCIAL STATEMENTS

11. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2019 RM	Number of shares 2019	Amount 2018 RM	Number of shares 2018
Ordinary shares, issued and fully paid:				
At beginning of financial year	58,441,778	39,432,900	53,552,713	35,173,800
Issued for cash under ESOS	4,574,487	2,832,500	1,146,650	710,000
Issued for cash under private placement	-	-	3,742,415	3,549,100
At end of financial year	63,016,265	42,265,400	58,441,778	39,432,900
	Note 11.1			

11.1 Included in share capital was share premium amounting to RM18,378,913 that was 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). The Company did not utilise the share premium.

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 reserve comprises the cumulative value of employee services received for the issue of share options. The share option reserve in relation to the unexercised options will be transferred to retained earnings upon the expiry of the share option scheme. 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 Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

12. LOANS AND BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Non-current				
Finance lease liabilities	819,630	1,249,241	462,705	714,353
Term loans (secured)	8,992,477	10,017,613	2,749,470	3,375,063
	9,812,107	11,266,854	3,212,175	4,089,416
Current				
Finance lease liabilities	369,618	393,049	251,648	238,358
Revolving loans (secured)	2,000,000	3,500,000	2,000,000	3,500,000
Bankers' acceptances (secured)	3,766,243	4,848,742	3,766,243	4,848,742
Term loans (secured)	1,025,059	962,926	625,516	583,359
	7,160,920	9,704,717	6,643,407	9,170,459
	16,973,027	20,971,571	9,855,582	13,259,875

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 selected from the banker's panel of valuers, evidencing the Open Market Value of the land and 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 2019 RM	Interest 2019 RM	Present value of minimum lease payments 2019 RM	Future minimum lease payments 2018 RM	Interest 2018 RM	Present value of minimum lease payments 2018 RM
Group						
Less than one year	419,448	(49,830)	369,618	465,985	(72,936)	393,049
Between one and five years	865,074	(45,444)	819,630	1,346,376	(97,135)	1,249,241
	1,284,522	(95,274)	1,189,248	1,812,361	(170,071)	1,642,290
Company						
Less than one year	281,784	(30,136)	251,648	281,904	(43,546)	238,358
Between one and five years	484,842	(22,137)	462,705	766,626	(52,273)	714,353
	766,626	(52,273)	714,353	1,048,530	(95,819)	952,711

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

	Finance lease liabilities RM	Bankers' acceptances - secured RM	Revolving loan - secured RM	Term loan - secured RM	Total liabilities from financing activities 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 April 2018	1,642,290	4,848,742	3,500,000	10,980,539	20,971,571
Drawdown	-	11,192,092	1,000,000	-	12,192,092
Repayment	(453,042)	(12,274,591)	(2,500,000)	(963,003)	(16,190,636)
At 31 March 2019	1,189,248	3,766,243	2,000,000	10,017,536	16,973,027

NOTES TO THE FINANCIAL STATEMENTS

12. LOANS AND BORROWINGS (continued)

Finance lease liabilities (continued)

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

	Finance lease liabilities RM	Bankers' acceptances - secured RM	Revolving loan - secured RM	Term loan - secured RM	Total liabilities from financing activities RM
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 2018/1 April 2018	952,711	4,848,742	3,500,000	3,958,422	13,259,875
Drawdown	-	11,192,092	1,000,000	-	12,192,092
Repayment	(238,358)	(12,274,591)	(2,500,000)	(583,436)	(15,596,385)
At 31 March 2019	714,353	3,766,243	2,000,000	3,374,986	9,855,582

13. SHARE OPTION PROGRAMME

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

The terms and conditions related to the grant of the share option programme are as follows; all options are to be settled by physical delivery of shares:

Grant date	Number of Options	Vesting conditions	Options Life
2 January 2018	5,323,600	None	2.75 years

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE OPTION PROGRAMME (continued)

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

	Weighted average exercise price	Number of options 2019	Number of options 2018
Outstanding at 1 April	-	4,613,600	-
Granted during the year	-	-	5,323,600
Exercised during the year	1.01	(2,832,500)	(710,000)
Forfeited during the year	1.01	(46,000)	-
Outstanding at 31 March	1.01	1,735,100	4,613,600

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

	Group and Company 2019 and 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

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	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Group						
Property, plant and equipment	-	-	(2,954,545)	(2,686,157)	(2,954,545)	(2,686,157)
Provisions	1,723,028	1,725,775	-	-	1,723,028	1,725,775
Unutilised tax losses	1,970,308	-	-	-	1,970,308	-
Others	22,570	-	-	(83,856)	22,570	(83,856)
Tax assets/(liabilities)	3,715,906	1,725,775	(2,954,545)	(2,770,013)	761,361	(1,044,238)
Set off of tax	(1,588,513)	(1,725,775)	1,588,513	1,725,775	-	-
Net deferred tax assets/(liabilities)	2,127,393	-	(1,366,032)	(1,044,238)	761,361	(1,044,238)
Company						
Property, plant and equipment	-	-	(1,007,352)	(848,894)	(1,007,352)	(848,894)
Provisions	1,323,252	939,990	-	-	1,323,252	939,990
Unutilised tax losses	1,941,008	-	-	-	1,941,008	-
Others	-	-	(129,515)	(91,096)	(129,515)	(91,096)
Tax assets/(liabilities)	3,264,260	939,990	(1,136,867)	(939,990)	2,127,393	-
Set off of tax	(1,136,867)	(939,990)	1,136,867	939,990	-	-
Net deferred tax assets/(liabilities)	2,127,393	-	-	-	2,127,393	-

Unrecognised deferred tax assets

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised tax losses	5,050,195	21,946,121	5,050,195	21,946,121

The unutilised tax losses of the Group and of the Company of RM5,050,195 (2018: RM21,946,121) expires in 2025 under the current tax legislation. In 2019, RM16,895,926 of previously unrecognised tax losses of the Group and the Company were recognised as management considered it probable that future taxable profits will be available against which they can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED TAX LIABILITIES (continued)

Movement in temporary differences during the year

	At 1.4.2017	Recognised in profit or loss (Note 18)	At 31.3.2018/ 1.4.2018	Recognised in profit or loss (Note 18)	At 31.3.2019
	RM	RM	RM	RM	RM
Group					
Property, plant and equipment	(2,695,072)	8,915	(2,686,157)	(268,388)	(2,954,545)
Provisions	1,515,440	210,335	1,725,775	(2,747)	1,723,028
Unutilised tax losses	319,992	(319,992)	-	1,970,308	1,970,308
Other temporary differences	16,732	(100,588)	(83,856)	106,426	22,570
	(842,908)	(201,330)	(1,044,238)	1,805,599	761,361
Company					
Property, plant and equipment	(934,886)	85,992	(848,894)	(158,458)	(1,007,352)
Provisions	716,138	223,852	939,990	383,262	1,323,252
Unutilised tax losses	-	-	-	1,941,008	1,941,008
Other temporary differences	17,246	(108,342)	(91,096)	(38,419)	(129,515)
	(201,502)	201,502	-	2,127,393	2,127,393

15. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2019	2018	2019	2018
		RM	RM	RM	RM
Trade					
Trade payables		9,629,553	12,208,498	3,686,073	3,802,215
Non-trade					
Other payables		5,606,403	5,510,021	208,495	217,343
Accruals		1,183,418	484,109	980,736	203,820
Dividend payable		1,053,460	-	1,053,460	-
		7,843,281	5,994,130	2,242,691	421,163
		17,472,834	18,202,628	5,928,764	4,223,378

NOTES TO THE FINANCIAL STATEMENTS

16. REVENUE

The Group generates revenue primarily from production of industrial automation products (see Note 16.2).

16.1 Disaggregation of revenue

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue from contracts with customers				
Industrial automation products	97,159,781	101,027,639	61,765,599	52,354,874
Timing and recognition				
At a point in time	97,159,781	101,027,639	61,765,599	52,354,874

16.2 Nature of goods and services

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Industrial automation products	Revenue is recognised when the products are delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	Not applicable.	Not applicable.	Assurance warranty that products will perform in accordance with the agreed specifications for a reasonable time period from the date of delivery.

16.3 Transaction price allocated to the remaining performance obligations

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Term loans	610,381	647,660	258,304	286,008
- Finance lease liabilities	72,936	48,097	43,546	34,871
- Bankers' acceptances	210,824	313,144	210,824	313,144
- Revolving loans	133,275	137,870	133,275	137,870
- Other finance costs	63,995	71,541	43,755	51,109
	1,091,411	1,218,312	689,704	823,002

18. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Current tax expense				
- Current year	34,900	26,980	31,606	25,204
- Over provision in prior years	(12)	(114,384)	(12)	(117,206)
	34,888	(87,404)	31,594	(92,002)
Deferred tax expense				
- (Reversal)/Origination and reversal of temporary differences	(1,655,165)	822,686	(1,951,290)	476,271
- Over provision in prior years	(150,434)	(621,356)	(176,103)	(677,773)
	(1,805,599)	201,330	(2,127,393)	(201,502)
Total tax expense	(1,770,711)	113,926	(2,095,799)	(293,504)

NOTES TO THE FINANCIAL STATEMENTS

18. TAX EXPENSE (continued)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Reconciliation of effective tax expense				
Profit for the year	5,990,601	5,116,959	9,462,693	2,706,376
Total tax expense	(1,770,711)	113,926	(2,095,799)	(293,504)
Profit excluding tax	4,219,890	5,230,885	7,366,894	2,412,872
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	1,012,773	1,255,412	1,768,055	579,090
Effect of previously unrecognised tax losses	(4,055,022)	(755,915)	(4,055,022)	(755,915)
Non-deductible expenses	1,421,984	1,047,063	367,283	678,300
Tax incentive (Pioneer status)*	-	(696,894)	-	-
(Over)/Under provision in prior years	(150,446)	(735,740)	(176,115)	(794,979)
	(1,770,711)	113,926	(2,095,799)	(293,504)

* *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 2019.*

A group entity, 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. to independent third parties for a total consideration of 1,000 Thai Baht (equivalent to approximately RM125.00).

The disposal was disclosed as discontinued operation in previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

19. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARY (continued)

The loss attributable to the discontinued operation was as follows:

	Group 2018 RM
Results of discontinued operation	
Revenue	255,226
Expenses	(415,545)
Results from operating activities	(160,319)
Administrative expenses	(57,246)
Other expenses	-
Loss from operating activities	(217,565)
Loss on disposal of a subsidiary	(444,140)
Loss for the year	(661,705)
Cash flows used in disposal of a subsidiary	
Net cash used in operating activities	(57,246)
Net cash used in investing activities	(273,685)
Effect on cash flow	(330,931)

	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)

NOTES TO THE FINANCIAL STATEMENTS

20. PROFIT FOR THE YEAR

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Profit for the year is arrived at after charging:				
Audit fees:				
- KPMG Malaysia	155,000	155,000	110,000	110,000
- Other auditors	5,000	5,000	-	-
Non audit fees:				
- KPMG Malaysia	15,000	15,000	15,000	15,000
Depreciation of property, plant and equipment	2,376,519	2,234,007	960,863	900,578
Net derivative loss				
- realised	1,433,233	-	1,433,233	-
- unrealised	408,991	-	408,991	-
Impairment loss on:				
- amounts due from subsidiaries	-	-	18,358	10,410
- trade receivables	6,556	403,812	6,556	403,812
- goodwill	5,000,000	-	-	-
- investment in subsidiary	-	-	1,200,000	-
Inventories written off	1,287	-	1,287	-
Net loss on foreign exchange:				
- unrealised	569,415	409,728	539,647	379,564
- realised	-	1,481,932	-	1,416,074
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,693,010	1,650,825	1,286,257	1,174,410
- Wages, salaries and others	16,696,467	16,981,144	11,482,632	10,515,640
- Share-based payment	-	3,220,778	-	2,638,103
Property, plant and equipment written off	2,278	257	2,278	257
Write-down of inventories	54,322	-	54,322	-
Rental expense on properties	15,876	55,815	-	-
Rental expenses on motor vehicles and equipment	27,444	30,600	-	-

NOTES TO THE FINANCIAL STATEMENTS

20. PROFIT FOR THE YEAR (continued)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
and after crediting:				
Interest income	145,415	112,419	131,690	105,017
Gain on disposal of property, plant and equipment, net	181,420	148,189	142,612	108,044
Fair value gain on other investment	207,103	209,911	207,103	209,911
Reversal of impairment loss on trade receivables	403,812	56,318	403,812	-
Write back of inventories	-	14,796	-	14,796
Net gain on foreign exchange:				
- realised	1,295,290	-	1,259,048	-
Net derivative gain:				
- realised	-	1,257,191	-	1,257,191
- unrealised	-	1,313,566	-	1,313,566
Dividend income	-	-	513,251	-
Rental income	726,000	978,841	-	-

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors:				
- Remuneration	2,069,030	2,124,614	1,554,880	1,257,464
- Fees	276,000	180,000	276,000	180,000
- Other short-term employee benefits	99,975	88,000	39,975	28,000
	2,445,005	2,392,614	1,870,855	1,465,464
Other key management personnel	1,772,036	2,156,541	1,772,036	2,156,541
	4,217,041	4,549,155	3,642,891	3,622,005

NOTES TO THE FINANCIAL STATEMENTS

22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2019 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019	**2018**
	RM	**RM**
Profit/(Loss) for the year attributable to owners of the Company:		
Continuing operations	5,613,508	3,998,955
Discontinued operations	-	(337,470)
	5,613,508	3,661,485
Weighted average number of ordinary shares	40,622,535	36,000,476

	2019	**2018**
	Sen	**Sen**
Basic earnings/(loss) per ordinary share		
- continued operations	13.82	11.11
- discontinued operations	-	(0.94)
	13.82	10.17

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 March 2019 was based on profit 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	
	2019	**2018**
Weighted average number of ordinary shares at 31 March (basic)	40,622,535	36,000,476
Effect of share options on issue	597,883	250,350
Weighted average number of ordinary shares at 31 March (diluted)	41,220,418	36,250,826

NOTES TO THE FINANCIAL STATEMENTS

22. EARNINGS PER ORDINARY SHARE (continued)

Diluted earnings per ordinary share (continued)

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.

	2019 Sen	2018 Sen
Diluted earnings/(loss) per ordinary share		
- continued operations	13.62	11.03
- discontinued operations	-	(0.93)
	13.62	10.10

23. DIVIDENDS

Dividends recognised by the Company during the year:

	Sen per share	Total amount RM	Date of payment
First interim	2.5	1,006,447	28 September 2018
Second interim	2.5	1,053,460	1 April 2019
		2,059,907	

24. 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 presented based on geographical locations of customers.

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING SEGMENT (continued)

Geographical information

	Revenue	
	2019	**2018**
	RM	**RM**
Group		
Domestic	33,118,317	55,134,330
Asia	61,368,383	27,278,679
Europe	973,606	1,069,441
North America	1,699,475	17,545,189
	97,159,781	101,027,639

Major customers

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

	Revenue	
	2019	**2018**
	RM	**RM**
All common control companies of:		
- Customer A*	52,011,826	60,130,732
- Customer B*	39,766,742	36,042,714
- Customer C*	2,290,103	2,054,491

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

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 March 2019 categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9
(b) Amortised cost ("AC")

	Carrying Amount RM	AC RM	FVTPL RM
Group			
2019			
Financial assets			
Trade and other receivables*	44,409,241	44,409,241	-
Other investment	1,542,478	-	1,542,478
Cash and cash equivalents	13,986,270	13,986,270	-
	59,937,989	58,395,511	1,542,478
Financial liabilities			
Derivative financial liabilities	(408,991)	-	(408,991)
Loans and borrowings	(16,973,027)	(16,973,027)	-
Trade and other payables	(17,472,834)	(17,472,834)	-
	(34,854,852)	(34,445,861)	(408,991)
Company			
2019			
Financial assets			
Trade and other receivables*	31,599,423	31,599,423	-
Other investment	1,542,478	-	1,542,478
Cash and cash equivalents	7,058,554	7,058,554	-
	40,200,455	38,657,977	1,542,478
Financial liabilities			
Derivative financial liabilities	(408,991)	-	(408,991)
Loans and borrowings	(9,855,582)	(9,855,582)	-
Trade and other payables	(5,928,764)	(5,928,764)	-
	(16,193,337)	(15,784,346)	(408,991)

* *Exclude GST and advances to suppliers*

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 March 2018 categorised as follows:

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

	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*	25,183,938	25,183,938	-
Other investment	6,335,375	-	6,335,375
Cash and cash equivalents	16,118,866	16,118,866	-
	48,951,745	41,302,804	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)	-
Company			
2018			
Financial assets			
Derivative financial assets	1,313,566	-	1,313,566
Trade and other receivables*	8,166,886	8,166,886	-
Other investment	6,335,375	-	6,335,375
Cash and cash equivalents	12,393,232	12,393,232	-
	28,209,059	20,560,118	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)	-

* *Exclude GST and advances to suppliers*

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- Mandatorily required by MFRS 9	(1,635,121)	-	(1,635,121)	-
- Held for trading	-	2,780,668	-	2,780,668
Loans and receivables	-	(1,723,372)	-	(2,010,465)
Financial assets measured at amortised cost	886,528	-	746,257	-
Financial liabilities measured at amortised cost	(709,393)	(1,621,677)	(205,972)	(917,380)
	(1,457,986)	(564,381)	(1,094,836)	(147,177)

25.3 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

25.4 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.

25.4.1 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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

25.4.1 Receivables (continued)

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 94% (2018: 98%) 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.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Domestic	11,230,057	20,157,159	1,413,783	3,915,715
Asia	31,584,484	2,245,898	29,118,350	1,810,156
North America	420,187	1,824,072	319,489	1,698,383
	43,234,728	24,227,129	30,851,622	7,424,254

Impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments, letter of undertaking from banks and external credit ratings, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

25.4.1 Receivables (continued)

Impairment losses (continued)

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables as at 31 March 2019.

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Group			
2019			
Not past due	11,064,264	-	11,064,264
Past due 1 - 30 days	3,250,333	-	3,250,333
Past due more than 30 days	29,139,196	(219,065)	28,920,131
	43,453,793	(219,065)	43,234,728
Company			
2019			
Not past due	1,798,558	-	1,798,558
Past due 1 - 30 days	1,094,462	-	1,094,462
Past due more than 30 days	27,965,158	(6,556)	27,958,602
	30,858,178	(6,556)	30,851,622

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	2019	
	Group RM	Company RM
Balance at 1 January as per MFRS 9	616,321	403,812
Amount reversed	(403,812)	(403,812)
Net remeasurement of loss allowance	6,556	6,556
Balance at 31 March 2019	219,065	6,556

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 probable, the amount considered irrecoverable is written off against the receivables.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

25.4.1 Receivables (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 March 2018 was as follows:

	Gross RM	Individual Impairment RM	Net 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
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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

25.4.2 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 of the Group and the Company arise as part of the requirements for working capital management purposes. These banks have low credit risks. In addition, some of the bank balances are insured by government agency. Consequently, the 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. 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, accordingly, loss allowance is not provided for.

25.4.3 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

An additional allowance for impairment losses on amounts due from subsidiaries of RM18,358 (2018: RM10,410) was made, resulting in a total year end impairment of RM4,264,937 (2018: RM4,246,579).

25.4.4 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

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

25.4.4 Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM41,500,000 (2018: 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.

25.4.5 Other receivables

Credit risks on other receivables are mainly arising from deposits paid for buildings rented and staff advances. These deposits will be received at the end of each lease term. The Group manages the credit risk together with the leasing arrangement.

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.

As at the end of the reporting period, the Company did not recognise any allowance for impairment losses.

25.5 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

25. FINANCIAL INSTRUMENTS (continued)

25.5 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							
2019							
Non-derivative financial liabilities							
Finance lease liabilities	1,189,248	2.31 - 3.40	1,284,522	419,448	419,448	445,626	-
Secured term loans	10,017,536	4.75 - 7.00	12,944,284	1,573,668	1,573,627	4,488,511	5,308,478
Bankers' acceptances	3,766,243	4.78 - 5.68	3,777,421	3,777,421	-	-	-
Revolving loans	2,000,000	5.44	2,018,183	2,018,183	-	-	-
Trade and other payables	17,472,834	-	17,472,834	17,472,834	-	-	-
	34,445,861		37,497,244	25,261,554	1,993,075	4,934,137	5,308,478
Derivative financial assets							
Forward exchange contracts (gross settled):							
Outflow	408,991	-	37,177,011	37,177,011	-	-	-
Inflow	-	-	(36,768,020)	(36,768,020)	-	-	-
	34,854,852		37,906,235	25,670,545	1,993,075	4,934,137	5,308,478

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying Amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
Group							
2018							
Non-derivative financial liabilities							
Finance lease liabilities	1,642,290	2.31 - 3.40	1,812,361	465,985	465,985	880,391	-
Secured term loans	10,980,539	4.75 - 7.00	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		42,919,083	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		41,605,517	27,314,767	2,039,672	5,587,767	6,663,311

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.5 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							
2019							
Non-derivative financial liabilities							
Finance lease liabilities	714,353	2.37 - 3.20	766,626	281,784	281,784	203,058	-
Secured term loans	3,374,986	7.00	3,977,581	842,023	841,982	2,293,576	-
Bankers' acceptances	3,766,243	4.78 - 5.68	3,777,421	3,777,421	-	-	-
Revolving loans	2,000,000	5.44	2,018,183	2,018,183	-	-	-
Trade and other payables	5,928,764	-	5,928,764	5,928,764	-	-	-
Financial guarantees	-	-	41,500,000	41,500,000	-	-	-
	15,784,346		57,968,575	54,348,175	1,123,766	2,496,634	-
Derivative financial assets							
Forward exchange contracts (gross settled):							
Outflow	408,991	-	37,177,011	37,177,011	-	-	-
Inflow	-	-	(36,768,020)	(36,768,020)	-	-	-
	16,193,337		58,377,566	54,757,166	1,123,766	2,496,634	-

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.5 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

25.6 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.

25.6.1 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"), Singapore Dollar ("SGD") and Thailand Baht ("THB").

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.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

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**	**THB**
	RM	**RM**	**RM**
Group			
2019			
Trade receivables	32,004,575	-	-
Cash and cash equivalents	1,572,625	4,219	235
Forward exchange contracts	(408,991)	-	-
Trade payables	(136,262)	(539,353)	(439,689)
	33,031,947	(535,134)	(439,454)
2018			
Trade receivables	5,941,230	-	-
Cash and cash equivalents	9,728,724	4,342	5,646
Forward exchange contracts	1,313,566	-	-
Trade payables	(856,086)	177,122	(624,825)
	16,127,434	181,464	(619,179)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in		
	USD	**SGD**	**THB**
	RM	**RM**	**RM**
Company			
2019			
Trade receivables	29,437,839	-	-
Cash and cash equivalents	1,102,624	4,219	235
Forward exchange contracts	(408,991)	-	-
Trade payables	(20,384)	(125,688)	(567,047)
	30,111,088	(121,469)	(566,812)
2018			
Trade receivables	5,257,969	-	-
Cash and cash equivalents	9,461,775	4,342	5,646
Forward exchange contracts	1,313,566	-	-
Trade payables	(12,004)	-	(600,692)
	16,021,306	4,342	(595,046)

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% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

	Profit or loss			
	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
USD	(2,510,428)	(1,225,685)	(2,288,443)	(1,217,619)
SGD	40,670	(13,791)	9,232	(330)
THB	33,399	47,058	43,078	45,223

A 10% (2018: 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.

25.6.2 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	
	2019	2018	2019	2018
	RM	RM	RM	RM
Fixed rate instruments				
Financial liabilities	(4,955,491)	(6,491,032)	(4,480,596)	(5,801,453)
Floating rate instruments				
Financial liabilities	(12,017,536)	(14,480,539)	(5,374,986)	(7,458,422)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.6 Market risk (continued)

25.6.2 Interest rate risk (continued)

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.

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
	2019	2019	2018	2018
	RM	RM	RM	RM
Group				
Floating rate instruments	(9,133)	9,133	(11,005)	11,005
Company				
Floating rate instruments	(4,085)	4,085	(5,668)	5,668

25.6.3 Other price risk

Equity price risk arises from the Group's investments in unit trust fund.

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% (2018: 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 RM117,228 (2018: RM481,489). A 10% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.7 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.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2019										
Financial assets										
Other investment	-	1,542,478	-	1,542,478	-	-	-	-	1,542,478	1,542,478
	-	1,542,478	-	1,542,478	-	-	-	-	1,542,478	1,542,478
Financial liabilities										
Forward exchange contracts	-	(480,991)	-	(408,991)	-	-	-	-	(408,991)	(408,991)
Term loans – secured	-	-	-	-	-	-	(10,017,536)	(10,017,536)	(10,017,536)	(10,017,536)
Finance lease liabilities	-	-	-	-	-	-	(1,261,169)	(1,261,169)	(1,261,169)	(1,189,248)
	-	(408,991)	-	(408,991)	-	-	(11,278,705)	(11,278,705)	(11,687,696)	(11,615,775)
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)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.7 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										
2019										
Financial assets										
Other investment	-	1,542,478	-	1,542,478	-	-	-	-	1,542,478	1,542,478
	-	1,542,478	-	1,542,478	-	-	-	-	1,542,478	1,542,478
Financial liabilities										
Forward exchange contracts	-	(408,991)	-	(408,991)	-	-	-	-	(408,991)	(408,991)
Term loans - secured	-	-	-	-	-	-	(3,374,986)	(3,374,986)	(3,374,986)	(3,374,986)
Finance lease liabilities	-	-	-	-	-	-	(753,539)	(753,539)	(753,539)	(714,353)
	-	(408,991)	-	(408,991)	-	-	(4,128,525)	(4,128,525)	(4,537,516)	(4,498,330)
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)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.7 Fair value information (continued)

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.

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 (2018: 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 arrangements.

NOTES TO THE FINANCIAL STATEMENTS

26. 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 2019 and 31 March 2018 were as follows:

		Group	
	Note	2019	2018
		RM	RM
Total loans and borrowings	12	16,973,027	20,971,571
Less: Cash and cash equivalents	10	(13,986,270)	(16,118,866)
		2,986,757	4,852,705
Total equity		83,358,140	77,456,391
Debt-to-equity ratio		0.04	0.06

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 was no breach of covenants during the financial year.

27. 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	
	2019	2018
	RM	RM
Guarantees given to financial institutions for banking facilities granted to a subsidiary	41,500,000	41,500,000

NOTES TO THE FINANCIAL STATEMENTS

28. 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	
	2019	2018	2019	2018
	RM	RM	RM	RM
Subsidiaries				
Purchases	-	-	448	582
Sales	-	-	-	(1,710)
Subsidiaries of an affiliate company				
Purchases	696,404	817,305	674,654	641,397
Sales	-	-	-	-

As at 31 March 2019, the balances outstanding owing to subsidiaries of an affiliate company, KVC Industrial Supplies Sdn. Bhd. and TSA Industries Sdn. Bhd. are RM218,190 (2018: RM99,078) and RM21,855 (2018: RM6,182) respectively.

29. SUBSEQUENT EVENT

29.1 Proposed share buy-back

The Company intends to seek approval from the shareholders to purchase its own shares of up to ten percent (10%) of its issued shares at any point in time at the forthcoming AGM.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers,* and MFRS 9, *Financial Instruments*, on their financial statements.

30.1 Accounting for revenue

The Group and the Company have adopted MFRS 15 using the cumulative effect method. The cumulative effect of applying the new standard is recognised at the beginning of the year of initial application, with no restatement of comparative period.

The adoption of the new standard has no impact on the Group's and the Company's financial statements apart from extended disclosures as presented in Note 16.

30.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. The adoption of MFRS 9 has no significant effect on the classification and measurement of financial assets and financial liabilities of the Group and the Company. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held; and

- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

30.2 Accounting for financial instruments, MFRS 9 *Financial Instruments* (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets as at 1 April 2018:

		1 April 2018		
		Reclassification to new MFRS 9 category		
Category under MFRS 139	**31 March 2018**	**Remeasurement**	**Fair value through profit or loss ("FVTPL")**	**Amortised cost ("AC")**
	RM	**RM**	**RM**	**RM**
Group				
Financial assets				
Loans and receivables				
Trade and other receivables	25,183,938	-	-	25,183,938
Cash and cash equivalents	16,118,866	-	-	16,118,866
	41,302,804	-	-	41,302,804
Fair value through profit or loss – held-for-trading				
Derivative financial assets	1,313,566	-	1,313,566	-
Other investments	6,335,375	-	6,335,375	-
	7,648,941	-	7,648,941	-

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

30.2 Accounting for financial instruments, MFRS 9 *Financial Instruments* (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets as at 1 April 2018:

		1 April 2018		
		Reclassification to new MFRS 9 category		
Category under MFRS 139	**31 March 2018**	**Remeasurement**	**Fair value through profit or loss ("FVTPL")**	**Amortised cost ("AC")**
	RM	**RM**	**RM**	**RM**
Company				
Financial assets				
Loans and receivables				
Trade and other receivables	8,166,886	-	-	8,166,886
Cash and cash equivalents	12,393,232	-	-	12,393,232
	20,560,118	-	-	20,560,118
Fair value through profit or loss – held-for-trading				
Derivative financial assets	1,313,566	-	1,313,566	-
Other investments	6,335,375	-	6,335,375	-
	7,648,941	-	7,648,941	-

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

30.2 Accounting for financial instruments, MFRS 9 *Financial Instruments* (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group and the Company's financial liabilities as at 1 April 2018:

		1 April 2018		
		Reclassification to new MFRS 9 category		
Category under MFRS 139	**31 March 2018**	**Remeasurement**	**Fair value through profit or loss ("FVTPL")**	**Amortised cost ("AC")**
	RM	**RM**	**RM**	**RM**
Group				
Financial liabilities measured at amortised cost				
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)
Company				
Financial liabilities measured at amortised cost				
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)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost.

(ii) Reclassification from FVTPL designated upon initial recognition to mandatorily FVTPL recognition

These are equity investments which are not held for strategic purposes. There is no change in the carrying amount as going forward those investments are mandatorily recognised as FVTPL.

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 41 to 119 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 2019 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: 10 July 2019

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 41 to 119 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 10 July 2019.

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 2019 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 41 to 119.

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 2019 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 control over a product or service has been transferred to customer.

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 transfer of control over a product or service to customer.

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 assesses the goodwill for impairment annually. The Group's goodwill on consolidation amounted to RM10,559,876 as of 31 March 2019. 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 flow projections 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 conclude that there is a material misstatement, 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 (continued)

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: 10 July 2019

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 2019

No.	Address	Approximate tenure/Year of expiry	Description/ Existing use	Land area/ Built-up area (sq. ft.)	Net book value @ 31.03.19 (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	10,759	11	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	1,872	14	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	15,352	29	15 June 2011

ADDITIONAL COMPLIANCE INFORMATION

1) UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

The Company did not raise funds through any corporate exercise during the financial year ended 31 March 2019.

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

The ESOS approved at the Extraordinary General Meeting held on 5 August 2010 and completed on 19 December 2017 is the only share option scheme of the Company in existence as at the financial year ended 31 March 2019 (FYE 2019). The information in relation to the ESOS is as follows:

	FYE 2019 Options
Outstanding options or shares as at 1 April 2018	4,613,600
Total number of options or shares granted during the year	-
Total number of options or shares exercised during the year	(2,832,500)
Total number of options or shares forfeited during the year	(46,000)
Outstanding options or shares as at 31 March 2019	1,735,100

Granted to Directors including the Managing Director:

	FYE 2019 Options
Aggregate options or shares granted during the year	-
Aggregate options or shares exercised during the year	700,000
Aggregate options or shares outstanding as at 31 March 2019	1,030,000

Granted to Directors and Senior Management:

	During the FYE 2019	Since the commencement of the ESOS up to FYE 2019
Aggregate maximum allocation in percentage	-	50.0%
Actual percentage granted	-	46.6%

There were no new options granted pursuant to ESOS in respect of FYE 2019.

ADDITIONAL COMPLIANCE INFORMATION

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

The breakdown of the options offered to and exercised by Non-Executive Directors during the financial year under review:

Name of Director	Outstanding as at 1 April 2018	Exercised	Outstanding as at 31 March 2019
Hew Voon Foo	100,000	(100,000)	-
Teh Kim Seng	100,000	(100,000)	-
Chen Khai Voon	100,000	-	100,000
Total	300,000	(200,000)	100,000

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 2019 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 Chin Kem Weng is a Director of Genetec. He is also a Director and indirect Major Shareholder of CLT (via his shareholding in Genetec)	Sale of machines and components Purchase of fabrication parts	- 448
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	54,050
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.) KVC Corp is a Major Shareholder of Genetec and also an indirect Major Shareholder of KVC (via its shareholdings in KVC Properties Sdn. Bhd.)	Purchase of industrial products Sale of fabrication parts	606,765 -

ADDITIONAL COMPLIANCE INFORMATION

5) **RECURRENT RELATED PARTY TRANSACTION** (continued)

	Related Parties	Relationship with Genetec Group	Nature of Transactions with Genetec Group	Amount (RM)
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	35,573

ANALYSIS OF SHAREHOLDINGS
As at 28 June 2019

Total number of issued shares : 42,291,300
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	143	9.28	5,028	0.01
100 – 1,000	344	22.34	228,471	0.54
1,001 – 10,000	768	49.87	3,540,500	8.37
10,001 – 100,000	233	15.13	7,447,180	17.61
100,001 – 2,114,564 (*)	50	3.25	24,307,971	57.48
2,114,565 and above (**)	2	0.13	6,762,150	15.99
Total	**1,540**	**100.00**	**42,291,300**	**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	10.79	-	-
Chin Kem Weng	2,198,150	5.20	-	-
Chen Khai Voon	-	-	4,564,000 *	10.79

Note:

** Deemed interested through KVC Corporation Sdn Bhd*

ANALYSIS OF SHAREHOLDINGS
As at 28 June 2019

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

	Direct Interest		Indirect Interest	
Name	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
Chen Khai Voon	-	-	4,564,000 *	10.79
Chin Kem Weng	2,198,150	5.20	-	-
Hew Voon Foo	100,000	0.24	-	-
Sow Ewe Lee	200,000	0.47	-	-
Tan Moon Teik	2,010,200	4.75	-	-
Teh Kim Seng	100,000	0.24	-	-

Note:

** Deemed interested through KVC Corporation Sdn Bhd*

Employees' Share Option Scheme

Name	No. of Options	%
Chen Khai Voon	100,000	0.24
Chin Kem Weng	380,000	0.90
Hew Voon Foo	-	-
Sow Ewe Lee	200,000	0.47
Tan Moon Teik	350,000	0.83
Teh Kim Seng	-	-

ANALYSIS OF SHAREHOLDINGS
As at 28 June 2019

30 LARGEST SHAREHOLDERS

	Name	No. of Shares Held	Percentage (%)
1	KVC CORPORATION SDN BHD	4,564,000	10.79
2	CHIN KEM WENG	2,198,150	5.20
3	TAN MOON TEIK	2,010,200	4.75
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)*	2,000,000	4.73
5	LIM KONG JOO	1,871,700	4.43
6	SA CHEE PENG	1,862,000	4.40
7	SIEW MUN WAI	1,616,000	3.82
8	KENANGA NOMINEES (TEMPATAN) SDN BHD LAW NGEE SONG	1,615,900	3.82
9	PUBLIC INVEST NOMINEES (ASING) SDN BHD *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)*	782,000	1.85
10	CHIN LING CHEE	572,800	1.35
11	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *MAYBANK KIM ENG SECURITIES PTE LTD FOR MAYBANK KIM ENG SECURITIES (THAILAND) PCL (A/C RETAIL)*	522,900	1.24
12	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *MAYBANK KIM ENG SECURITIES PTE LTD FOR THANA RATNAUBONCHAI*	515,500	1.22
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN YUEN YUEN*	450,000	1.06
14	CHIN KIT SEN	427,000	1.01
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN POW CHOO @ WONG SENG ENG*	400,070	0.95
16	RONIE TAN CHOO SENG	400,000	0.95
17	TEH BENG AI	354,000	0.84
18	JS NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR OH KWAN HWA*	350,000	0.83
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR FU MUN FEI (PB)*	345,000	0.82
20	LEONG KAH KONG	332,000	0.79
21	ONG PHOE BE	310,200	0.73
22	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAI CHIE KING*	310,000	0.73
23	RONIE TAN CHOO SENG	310,000	0.73
24	JS NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RONIE TAN CHOO SENG*	300,000	0.71
25	LOO WEE KIN	296,900	0.70
26	TEE LEE CHEN	288,801	0.68
27	RONIE TAN CHOO SENG	276,700	0.65
28	LEE HOCK HENG	271,000	0.64
29	LIM GHEE TATT	270,000	0.64
30	O PAU KIANG	270,000	0.64
	Total	**26,092,821**	**61.70**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting ("21st 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 Wednesday, 28 August 2019 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 2019 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 RM240,000 for the financial year ending 31 March 2020. **Ordinary Resolution 1** *(Please refer to Explanatory Note 2)*

3. To re-elect the following Directors who is retiring in accordance with the Company's Constitution and being eligible, have offered themselves for re-election:-

(i)	Mr Tan Moon Teik	Article 92	**Ordinary Resolution 2**
(ii)	Mr Teh Kim Seng	Article 92	**Ordinary Resolution 3**
(iii)	Mr Sow Ewe Lee	Article 99	**Ordinary Resolution 4**

4. 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:-

5. **RETENTION OF MR HEW VOON FOO AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY** **Ordinary Resolution 6** *(Please refer to Explanatory Note 3)*

   "THAT 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."

6. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 7** *(Please refer to Explanatory Note 4*

   "THAT, subject always to the Companies Act, 2016, the Constitution of the Company, 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,

NOTICE OF ANNUAL GENERAL MEETING

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 shall commence immediately upon passing of this resolution and 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, unless such approval be revoked and varied at any time by a resolution passed by the shareholders of the Company in a 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."

7. **PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF ITS TOTAL NUMBER OF ISSUED SHARES ("PROPOSED SHARE BUY-BACK")**

Ordinary Resolution 8
(Please refer to Explanatory Note 5

"THAT subject to the compliance with Section 127 of the Companies Act 2016 ("Act"), the Constitution of the Company, 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 Company be authorised to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:

(i) the aggregate number of ordinary shares which may be purchased and/or held by the Company at any point of time pursuant to this resolution shall not exceed 10% of the total number of issued shares of the Company including the shares previously purchased and retained as treasury shares (if any); and

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Statement/Circular to Shareholders dated 29 July 2019.

THAT such authority conferred by this resolution shall commence immediately upon the passing of this resolution and continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution is passed, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or

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

NOTICE OF ANNUAL GENERAL MEETING

whichever occurs first, but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the AMLR of Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

THAT the Directors of the Company be authorised to deal with the ordinary shares so purchased, in their absolute discretion in all or any of the following manner:

(i) to cancel the shares so purchased;

(ii) to retain the shares so purchased as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act);

(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or

(iv) in any other manner as may be permitted and prescribed by the Act, the AMLR of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be authorised and empowered to take such steps as are necessary and/or desirable to give effect to this resolution (including without limitation opening and maintaining central depository account(s)) and in connection therewith to enter into and execute on behalf of the Company any agreements, arrangements and guarantees with any person and in all cases with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by Bursa Securities or any relevant regulatory authority, and to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A RENEWAL OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")** — **Ordinary Resolution 9** *(Please refer to Explanatory Note 6)*

"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 set out in the Statement/Circular to Shareholders dated 29 July 2019 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 that meeting; or

(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.

NOTICE OF ANNUAL GENERAL MEETING

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."

9. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("PROPOSED ADOPTION OF NEW CONSTITUTION")** **Special Resolution 1** *(Please refer to Explanatory Note 7)*

   "THAT approval be given to the Company to revoke the existing Memorandum and Articles of the Company in its entirety with immediate effect and in place thereof, the proposed new Constitution as set out in Part C of the Statement/Circular to Shareholders dated 29 July 2019 be adopted as the Constitution of the Company.

   AND THAT the Directors of the Company be authorised to do all acts, deeds and things as are necessary and/or expedient with full powers to assent to any variations, modifications and/or amendments as may be required by any relevant authorities to give full effect to the foregoing."

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
29 July 2019

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 appoint 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. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, 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.

NOTICE OF ANNUAL GENERAL MEETING

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 21st AGM, the Company shall be requesting a Record of Depositors as at 22 August 2019. Only a depositor whose name appears on such Record of Depositors 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.

Explanatory Notes to the Agenda:

1. Audited Financial Statements and Reports

The audited financial statements and reports are laid in accordance with as 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 provides amongst others, that the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Board of Directors decided that the Directors' fees for the financial year ending 31 March 2020 ("FY2020") be maintained as the previous financial year for each Director. Followed by the resignation of a non-executive director, the proposed Directors' fees for FY2020 is RM240,000 (FY2019 : RM312,000).

The proposed Ordinary Resolution 1 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 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 and board committee 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.

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

4. Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 7, if passed, is to renew the authority granted 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 ("AGM") of the Company.

NOTICE OF ANNUAL GENERAL MEETING

The Company has been granted a general authority by its shareholders at the last AGM held on 21 August 2018 and it will lapse at the conclusion of the 21st AGM. At as the date of this Notice, the Company has not issued any new shares under the general authority which was granted at the last AGM.

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 Share Buy-Back**

This proposed Ordinary Resolution 8, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase the Company's shares not more than ten percent (10%) of the total number of issued shares of the Company at any time within the time period stipulated in the AMLR of Bursa Securities. This authority, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next AGM of the Company.

Further details are set out in the Statement/Circular to Shareholders dated 29 July 2019 which is despatched together with this Annual Report.

6. **Proposed Renewal of Shareholders' Mandate**

For the proposed Ordinary Resolution 9, please refer to the Statement/Circular to Shareholders dated 29 July 2019 which is despatched together with this Annual Report for detailed information of the Proposed Renewal of Shareholders' Mandate.

7. **Proposed Adoption of New Constitution**

The proposed Special Resolution 1, if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the AMLR of Bursa Securities and to enhance administrative efficiency. The proposed new constitution shall take effect once the Special Resolution has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the 21st AGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Rule 8.29(2) of the AMLR of Bursa Securities

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

As at date of this Notice, there is no individual is seeking election as a Director of the Company at the 21st 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 21st AGM.

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 Twenty-First Annual General Meeting ("21st AGM") 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 Wednesday, 28 August 2019 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 ending 31 March 2020.		
2	To re-elect Mr Tan Moon Teik as Director.		
3	To re-elect Mr Teh Kim Seng as Director.		
4	To re-elect Mr Sow Ewe Lee as Director.		
5	To re-appoint Messrs KPMG PLT as Auditors for the ensuing year and to authorise the Directors 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 Share Buy-Back		
9	To approve the Proposed Renewal of Shareholders' Mandate.		
Special Resolution		**For**	**Against**
1	To approve the Proposed Adoption of New Constitution		

(Please indicate with an "X" 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 ____________________ 2019

____
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 appoint 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. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, 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 21st AGM, the Company shall be requesting a Record of Depositors as at 22 August 2019. Only a depositor whose name appears on such Record of Depositors 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 21st AGM 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