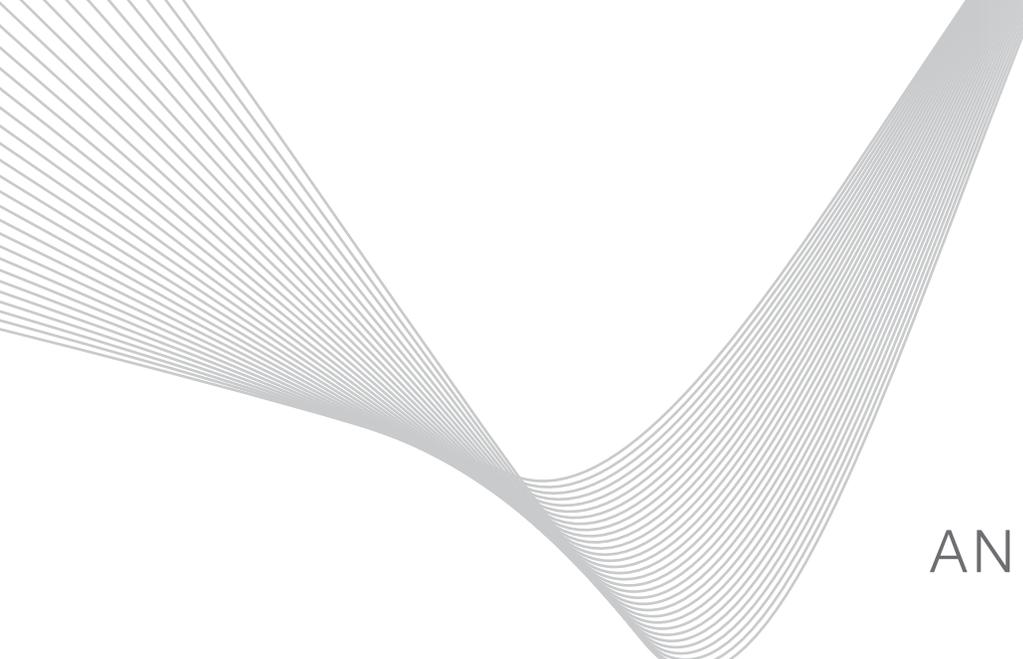




Genetec Technology

2020
ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

HEW VOON FOO

*Chairman & Independent
Non-Executive Director*

TEH KIM SENG

Independent Non-Executive Director

CHIN KEM WENG

Managing Director

SOW EWE LEE

*Executive Director/
Chief Operating Officer*

TAN MOON TEIK

Executive Director

AUDIT COMMITTEE

Teh Kim Seng (*Chairman*)
Hew Voon Foo

NOMINATION COMMITTEE

Hew Voon Foo (*Chairman*)
Teh Kim Seng

REMUNERATION COMMITTEE

Hew Voon Foo (*Chairman*)
Teh Kim Seng

COMPANY SECRETARY

Low Sook Kuan
(SSM PC No. 202008001384)
(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 Service 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
CIMB Bank Berhad

STOCK EXCHANGE LISTING

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

WEBSITE

www.genetec.net

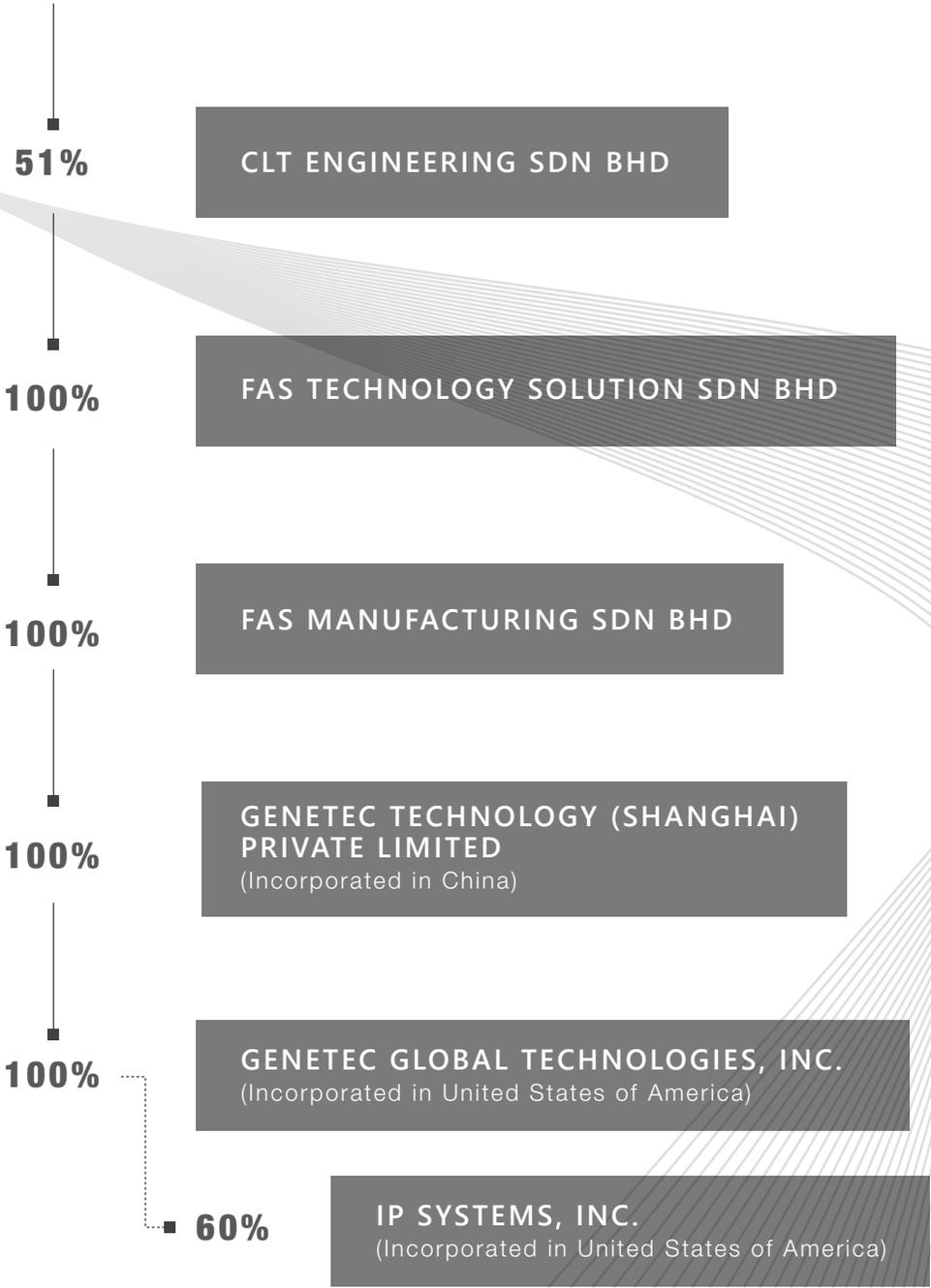
EMAIL

genetec@genetec.net

CORPORATE STRUCTURE

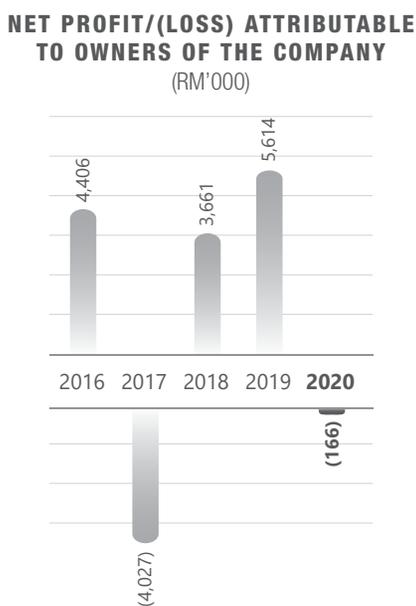
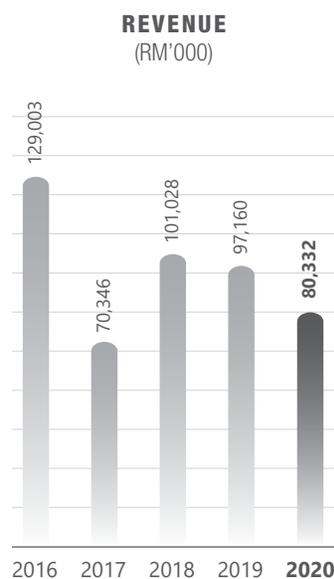
As at 26 June 2020

Genetec Technology



FIVE YEARS GROUP FINANCIAL HIGHLIGHTS

	2016 RM'000	2017 RM'000 (Restated)	2018 RM'000	2019 RM'000	2020 RM'000
OPERATING RESULTS					
Revenue	129,003	70,346	101,028	97,160	80,332
EBITDA	12,641	133	9,345	7,688	2,121
Profit/(Loss) Before Tax	8,266	(3,117)	5,893	4,220	(1,323)
Profit/(Loss) After Tax	6,794	(3,636)	5,117	5,991	(900)
Net Profit/(Loss) Attributable to Owners of the Company	4,406	(4,027)	3,661	5,614	(166)
KEY BALANCE SHEET DATA					
Total Assets	103,551	98,218	117,675	119,579	118,693
Share Capital	35,174	53,553	58,442	63,016	63,171
Capital and Reserves	67,658	63,296	77,456	83,358	81,655
PROFITABILITY RATIOS					
Return on Total Assets (%)	7	(4)	4	5	(1)
Return on Average Equity (%)	11	(6)	7	7	(1)
GEARING RATIO					
Net Debt to Capital and Reserves (Times)	0.14	0.15	0.06	0.04	-
VALUATION					
Basic Earnings/(Loss) per ordinary share (Sen)	12.53	(11.45)	10.17	13.82	(0.39)



PROFILE OF DIRECTORS

CHIN KEM WENG

*Executive Director/
Managing Director
Aged 50 / 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 who is a major shareholder of the Company. 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 50 / 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 49 / 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

HEW VOON FOO

*Independent Non-Executive Director
Aged 59 / Male / Malaysian*

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

Mr Hew was appointed to the Board of the Company on 6 February 2009. He is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) and the Malaysian Institute of Accountants (MIA). He has extensive experience in financial management gained over the years in an audit firm and as 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.

TEH KIM SENG

*Independent Non-Executive Director
Aged 53 / Male / Malaysian*

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

Mr Teh was appointed to the Board of the Company on 26 January 2011. He holds a Bachelor of Laws from Leeds University, England and received a Master of Laws from Cambridge University, England in 1989. He has over 30 years of experience in the legal, mergers and acquisition, corporate finance, venture capital and financial services arenas. Mr Teh founded and manages Netrove Ventures, 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 now, 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 in 1999. Mr Teh is currently Chairman & CEO of Netrove Ventures and CrowdPlus Sdn Bhd, an equity crowdfunding platform 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.

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 ended 31 March 2020.
- (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 50 / Male / Malaysian

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

SOW EWE LEE
Chief Operating Officer
 Aged 50 / 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 49 / Male / Malaysian

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

TAN KON HOAN
Financial Controller
 Aged 49 / Male / Malaysian

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

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

GOH YIK YONG
Senior Vice President - Operations
 Aged 54 / 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 ended 31 March 2020.

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, as well as responsible for manufacturing automated industrial systems, equipment and value-added services for our global customers in the Automotive-Electric Vehicle and Internal Combustion Engine, Hard Disk Drive (HDD), Electronics, Pharmaceutical, Semiconductor and Home Appliance industries.

OBJECTIVES AND STRATEGIES

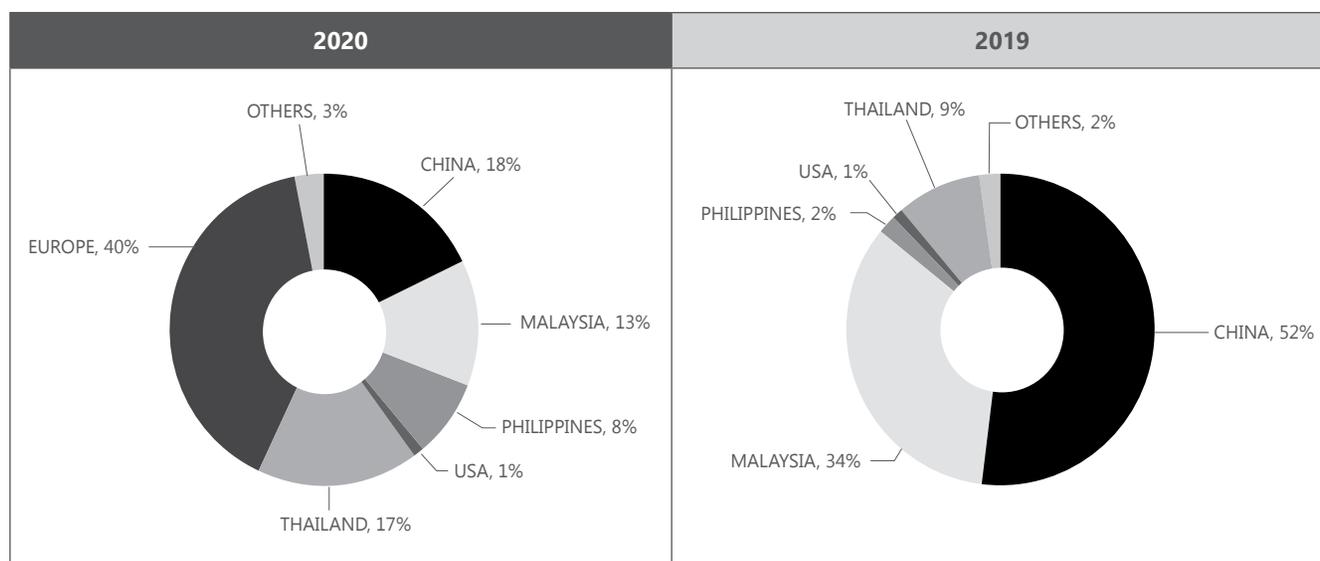
The Group aspires to be a leading supplier of customized full turnkey factory automation and stand-alone prototype equipment for mass volume production use worldwide. We are a focused supplier of customized equipment that allows our customers to increase the value and capability of their products. We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

BUSINESS AND OPERATIONS OVERVIEW

Currently, Genetec's business and operations 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, 87% (2019: 66%) of our products were exported to overseas markets. In terms of geographical market segments, Europe is our major revenue contributor, followed by the People's Republic of China, Thailand, Philippines and USA respectively. Our Group recorded a revenue of RM80.3 million for the financial year ended 31 March 2020, representing a decrease of 17.4% from the preceding year's revenue of RM97.2 million mainly due to lower orders from the HDD sector.

TURNOVER BY GEOGRAPHICAL LOCATIONS



MANAGEMENT DISCUSSION & ANALYSIS

Revenue derived from our key Automotive sector decreased by 10.1% to RM48.1 million (2019: RM53.5 million), accounting for 60% of the Group's total revenue (2019: 55%). The revenue derived from HDD sector decreased by 41.4% to RM23.8 million (2019: RM40.6 million), accounting for 29.6% of the group's revenue as compared to 42% for the preceding year. The decrease of 12.4% was mainly due to a lower global demand. The remaining 10.4% (2019: 3%) which is equivalent to RM8.4 million is mainly derived from Electronics sector with a growth in contribution to the Group's revenue of 7.4%.

During the year, the Group was able to secure a significant growth of 40% and 8% in sales to Europe and Thailand. On the contrary, sales to China has reduced to 18% (2019: 52%) mainly due to the outbreak of Novel Coronavirus (COVID-19) pandemic which has disrupted our operations. Despite the external challenges and difficulties facing by the Group, we have been able to realign our focus to other key sectors and implemented various production flexibility measures which have enabled the Group to achieve an EBITDA of RM2.1 million (2019: RM7.7 million) for the current year. Considering the current global economy condition, we continue to devote our efforts in broadening our customer base by developing more in-depth relationships with our existing and target customers, which includes strategic diversification to expand our product portfolio, particularly in the Electric Vehicle (EV) area. The Group has also sought to increase its sales to other regions, notably in the USA which involves developing new technologies in battery technology related products with vast potential for growth.

We believe that the demand for EV and Autonomous Driving will remain strong and new sustainable energy related business to continue its upward growth momentum. Business performance in the New Sustainable Vehicle Solutions segment i.e. EV Battery will outperform the market in general and this will provide continual business growth for the Group. We expect business to improve in the second half of 2020 and given the current market condition, we are continuing to develop our key technologies in the EV market segment that has proven to be growing exponentially.

With our leading position in the development of factory automation solutions, strong product design, advanced technologies and expertise, the Group is optimistic about its business opportunities and future market development especially in the EV segment.

Research and Development (R & D) 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. The Group maintains its commitment in reinforcing the technological strength in production lines' automation with an aim to enhance production capacity and quality. The Group has been able to stabilise its strong foothold in the current fast-growing emerging markets.

Profit Before Tax

Our gross profit margin slightly decreased to 19% (2019: 20%) for the year ended 31 March 2020. The Group recorded a Loss Before Tax of RM1.3 million for the current year under review as compared to a Profit Before Tax of RM4.2 million in the previous financial year. Apart from lower revenue derived from Automotive and HDD sectors, the recognition of impairment loss on goodwill of RM5.5 million (2019: RM5.0 million) had also impacted the performance of the current year.

Administrative Expenses

For the current year under review, administrative expenses were comparable with that in the previous corresponding year with a slight increase of 4.2% to RM7.5 million (2019: RM7.2 million).

Finance Cost

Finance costs decreased RM0.1 million or 9.1% from RM1.1 million for the previous financial year to RM1.0 million in the current year as the Group has reduced its short-term bank borrowings.

MANAGEMENT DISCUSSION & ANALYSIS

Statement of Financial Position

Property, plant and equipment decreased by RM1.3 million or 3.7% from RM35.4 million in previous financial year to RM34.1 million in the current year. The decrease is mainly resulted from the depreciation charge of RM2.3 million during the financial year.

The RM5.4 million other investment (2019: RM1.5 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 increased by RM5.6 million from RM15.5 million as at 31 March 2019 to RM21.1 million as at 31 March 2020. The increase in cash and bank balances and other investment was mainly due to the repayment from trade debtors.

The Group generally financed its operations and investing activities by internally generated financial resources and borrowings from bank. The Group's borrowings decreased by 10% from RM17.0 million at the end of the previous financial year to RM15.3 million as at 31 March 2020. The decrease was mainly due to repayment of bank borrowings amounting to RM2.5 million offset by drawdown of bank borrowings i.e. new finance lease of RM0.8 million for capital expenditure. Our term loans position on 31 March 2020 was RM9.0 million, down 10% from RM10.0 million at the end of the previous financial year. Debt-to-equity ratio has reduced from 0.04 at the end of the previous financial year to net cash position in 2020.

Lease liabilities (current and non-current) as at 31 March 2020 was RM0.3 million (2019: Nil) due to the adoption of the new MFRS 16 Leases.

SHARE PERFORMANCE

HIGHEST SHARE PRICE WITHIN FYE2020	RM1.77 ▲
LOWEST SHARE PRICE WITHIN FYE2020	RM1.03 ▼
TOTAL VOLUME TRADED: 19,414,000 shares	
TOTAL MARKET CAPITALISATION: RM49.6 Million	

DIVIDEND

There was no dividend declared or paid for the financial year ended 31 March 2020 as we remain prudent in our efforts to preserve capital and enhance the liquidity position of the Group.

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.

MANAGEMENT DISCUSSION & ANALYSIS

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. Employee Share Option Scheme is part of our incentive policy, both for the Directors as well as for our employees. They are intended to attract and retain key talent to the Group.

FORWARD-LOOKING STATEMENT

The Movement Control Order (MCO) which was imposed by the Government due to the outbreak of COVID-19 had a negative impact on the business operations of the Group in particularly the supply chain as well as the delivery and buy-off process of our production lines. The Group's major business contracted with production timelines range between six-month to one year and the MCO had caused deferment in our delivery of orders. The Group has increased its workforce and is currently in full production capacity to recover from the operational halt during MCO in order to meet project deliveries. The current projects which were accumulated due to MCO will be gradually completed and delivered in second half of 2020.

Although the COVID-19 pandemic is subsiding in Malaysia, we will continue to work diligently to ensure that the health and wellbeing of our staff and business partners are safeguarded. We have taken various measures to minimise the impact of the COVID-19 outbreak on our operations.

According to recent Moody's Report (June 2020), the coronavirus compounds the challenges already confronting the global auto industry and estimated that global light vehicle sales will fall by at least 20% this year, and by more in North America, Europe, the Middle East and Africa.

With the slowdown in the COVID-19 pandemic, the global Automotive sector is expected to gradually recover. In the aftermath of the coronavirus outbreak, it is also very likely to see a sharp rebound in business as the Group's customers are established global leading players in the Automotive industry. We remain confident in the longer-term outlook for the Group. Our core market opportunities in Industry 4.0 are securely attractive in the mid and long term.

The Group will continue to exercise due care in the pursuance of its existing core sectors and to explore other business opportunities. The Group strives to keep abreast of global industry trends and manufacture production lines that cater to customers' evolving needs and satisfy their high-quality requirements. We will seek growth and higher returns by leveraging on sharpening our competitive edge and stringent budgetary planning to manage our resources effectively.

The Group has a long history of maintaining resilience across market cycles. With the Group's core value and persistency in upholding its philosophy of overcoming obstacles in unity, we remain optimistic of achieving sustainable performance over the long term in the face of challenges ahead. Given its years of industry experience, leading core technologies and solid relationships with its customers, the Group is confident to continually expand its market share, drive business growth and generate satisfactory results for financial year 2021.

SUSTAINABILITY STATEMENT

This sustainability statement covers the reporting period from 1st April 2019 till 31st March 2020 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 engages 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 wellbeing 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 prioritize 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 the main driving force behind the continuous innovation of the Group. The Group rewards and recognizes 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 the 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 2020, 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 recognizes 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.

CONCLUSION

Genetec shall continue to practice group wide sustainability coordination and adopt a clear framework to provide long-term values to both the company and society. Sustainability values are embedded into the company's strategy to complement the company's goals and overall mission.

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 2020 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 (“Committees”) with clearly defined terms of reference to assist the Board in discharging its responsibility. The respective Committee is 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 Committees, the Board remains fully responsible 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 roles of the Chairman and the Managing Director are assumed by Mr Hew Voon Foo and Mr Chin Kem Weng respectively.

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 decisions 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 namely Audit Committee, Nomination Committee and Remuneration Committee in relation to the Company's Constitution, Board policies and procedures and compliance with regulatory requirements, codes or guidance and legislation. The company secretary also supports the Board in ensuring relevance and effectiveness in its corporate governance practices.

The company secretary attends and 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.

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

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

The Directors are at liberty to seek independent professional advice on matters relating to the fulfilment of their roles and responsibilities. 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 would also approve 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

3. Good Business Conduct and Corporate Culture (continued)

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.

The last review of the Whistleblowing Policy was performed and approved by the Board on 26 February 2020.

Anti-Bribery and Corruption Policy

The Board has approved and adopted the Anti-Bribery and Corruption Policy on 22 May 2020 which is also available at the Company's website at www.genetec.net with the objective to manage risk in relation to bribery and corruption. This is to ensure that good standards of behavior permeate throughout all levels of the Group. The mechanism set out under the Group's Whistleblowing Policy forms part of the said policy which governs the prevention of corruption and unethical practices within the Group.

II. Board Composition

4. Board's Objectivity

Composition of the Board

As of the date of this Statement, the Board currently has five (5) members comprising of three (3) Executive Directors and two (2) Independent Non-Executive Directors (including the Chairman).

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 who are professionals with the calibre and commercial experience equipped with industry-specific knowledge 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. This wide spectrum of skills and experience of the Board members provide the strength that is essential to effectively direct and supervise the Company's business activities and ensure that the interests of all stakeholders are adequately protected.

The Board is of the opinion that the Directors, with their different background and specializations, collectively bring with them the required expertise and experience to discharge the Board's duties and responsibilities. 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 MCGG. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4. Board's Objectivity (continued)

Tenure of Independent Director

The Company has amended its Constitution to be in line with the recommendation of the MCCG that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, an independent director may continue to serve the Board upon reaching the nine (9) years limit subject to the independent director redesignated as non-independent director. In the event the Board intends to retain the Director as independent after the independent director has served a cumulative term of nine (9) years, the Board must justify the decision and seek for annual shareholders' approval. If the Board continues to retain the independent director who has served for a cumulative term of twelve (12) years in aggregate, the Board should seek annual shareholders' approval through a two-tier voting process as defined by 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 in providing unbiased and independent views and continue to bring independent and objective judgment to Board deliberations.

As of the date of this Statement, the Nomination Committee and Board have duly assessed, determined and resolved that both the Independent Non-Executive Directors of the Company namely Mr Hew Voon Foo and Mr Teh Kim Seng, who have served on the Board for more than nine (9) years, be retained and continue to act as Independent Non-Executive Directors of the Company based on the following justifications as well as their contributions, as members of the Board and also Board Committees:-

- (a) They have fulfilled the criteria under the definition of Independent Director as stated in the AMLR of Bursa Securities.
- (b) They have relevant experience, expertise and competencies in serving the Board and remains objective in expressing their views and participating in deliberations and decision making of the Board and Board Committees.
- (c) They have in-depth knowledge of the Company's business operations and they are committed to devote sufficient time and efforts to the Company.
- (d) They have exercised due care in all undertakings of the Company and have acted and carried out their fiduciary duties in the interest of the Company during their tenure as Independent Directors.

Hence, the Board would table the resolutions to the shareholders at the forthcoming Annual General Meeting ("AGM") to retain Mr Hew Voon Foo and Mr Teh Kim Seng as Independent Non-Executive Directors of the Company.

Policy of Independent Director's Tenure

The Company does not have a formal policy which limits the tenure of its Independent Directors to nine (9) years as 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. The ability of a Director to serve effectively is dependent on his/her calibre, qualifications, experience and personal qualities, in particular, integrity and objectivity. The Board also agreed that there are significant advantages to be gained from long-serving Directors who possess insight and knowledge of the Company's business and affairs.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4. Board's Objectivity (continued)

Re-election of Directors

The Nominating Committee conducted an assessment of the Directors who are subject to retirement at the forthcoming AGM in accordance with the relevant provisions of the Constitution of the Company and Companies Act 2016. The Constitution requires that one-third of the Directors to retire by rotation and seek re-election at each AGM and that each Director shall submit himself/herself for re-election once every three years. Any Director newly appointed, shall hold office only until the next AGM 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.

These requirements would be adhered to by the Board in every AGM. In this respect, 2 Directors will be retiring at the forthcoming AGM, namely Mr Chin Kem Weng and Mr Hew Voon Foo. They shall retire accordingly, and being eligible, offer themselves for re-election at the Company's forthcoming AGM.

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 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.

Board Appointment

The Nomination Committee reviews the composition of the Board and Board Committees annually, in determining candidates for appointment to the Board and Board Committees. 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 its own review criteria that need to be met which include skills, experience and strength in the qualities necessary for the discharge of responsibilities in an effective and competent manner. Apart from these, to ensure that the candidate has sufficient time to fulfil his/her roles and responsibility effectively.

Diversity of the Board's composition is also important to facilitate optimal decision-making by harnessing different insights and perspectives. 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.

With regards to identifying candidates for appointment as Directors, the Board/Nomination Committee does not solely rely on recommendations from existing Board members, management or major shareholders but also open to referrals from external independent sources available, where necessary, to identify suitability qualified candidates.

There is no new appointment of Directors to the Board during the financial year under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4. Board's Objectivity (continued)

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

* Resigned on 23 June 2020

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 and key management succession planning and training programmes for Directors 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/re-appointment including deliberation on Independent Non-Executive Directors whose tenure has exceeded 9 years and which would require his continuance as an Independent Non-Executive Director to be voted at the forthcoming AGM.

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.

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)

Annual Assessment of Effectiveness of the Board, Board Committees and Individual Directors (continued)

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 their 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 devote sufficient time to the Company to discharge their responsibilities effectively and to use their best endeavours to attend meetings. Attendance at Board and Board Committee meetings for the financial year ended 31 March 2020 is set out in the table below:

Type of Meetings	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee
Name of Directors	Meeting Attendance			
Chin Kem Weng	5/5	N/A	N/A	N/A
Sow Ewe Lee	5/5	N/A	N/A	N/A
Tan Moon Teik	5/5	N/A	N/A	N/A
Hew Voon Foo	5/5	5/5	1/1	3/3
Teh Kim Seng	5/5	5/5	1/1	3/3
Chen Khai Voon*	5/5	5/5	1/1	3/3

* Resigned on 23 June 2020

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 are 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 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:-

- General Understanding of Section 17A of Malaysian Anti-Corruption Commission Act 2009
- Audit Oversight Board Conversation with Audit Committee – organised by Securities Commission

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.

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 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. The remuneration of senior management is the prerogative of the Managing Director as he is responsible for recruiting, managing, controlling and evaluating the performance of the senior management.

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 for 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 Directors. The Remuneration Committee 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

* Resigned on 23 June 2020

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 2020 is disclosed as follows:

	Fees		Salaries RM	Bonus RM	Benefits-in-kind RM	Total	
	Group	Company				Group	Company
	RM	RM				RM	RM
Executive Directors							
Chin Kem Weng	-	-	840,380	206,000	28,000	1,074,380	1,074,380
Sow Ewe Lee	-	-	451,795	137,500	23,950	613,245	613,245
Tan Moon Teik	-	-	479,150	35,000	60,000	574,150	-
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
Total	240,000	240,000	1,771,325	378,500	111,950	2,501,775	1,927,625

*Resigned on 23 June 2020

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 other key management personnel'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 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 AGM 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 2020 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.

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 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.

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 providing an overview of the state of the risk management and internal controls within the Group.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH 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 circulars 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 at www.genetec.net.

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 has been incorporated in the Board Charter and is available at the Company's website at www.genetec.net.

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 Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH 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 AGM 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 AGM 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.

All six Directors were present in person to engage directly with shareholders during the last AGM. All Directors will commit to attending the general meetings and Chairmen of the respective 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 AGM 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 AGM is despatched to shareholders at least 28 days before the AGM 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 of Bursa Securities for the financial year ended 31 March 2020. 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 14 July 2020.

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 control across all business units.

INTERNAL CONTROL SYSTEM

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

Control Environment

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTERNAL CONTROL SYSTEM (continued)

Control Activities

- The ISO procedures and Group's standard operating policies and procedures reflect current practices of the business processes and key functions. Internal control measures and practices have been incorporated into these procedures to enhance controls and monitoring of day-to-day operations. Where relevant, they are periodically reviewed and revised to reflect current practices and relevancy.
- The Group has cascaded down these documented procedures to its employees for implementation. Compliance in their day-to-day operations is monitored by the respective departmental managers to ensure quality of work and products.
- Internal audit and ISO audit are carried out periodically to 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.

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 highlighted issues 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 2020, 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 14 July 2020.

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 (*Resigned on 23 June 2020*)

Subsequent to the resignation of Mr Chen Khai Voon, the Company will seek for potential candidate to fill the vacancy within three (3) months in accordance with Rule 15.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 2020, 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* <i>*Resigned on 23 June 2020</i>	5/5

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

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 2020 covering the engagement team, materiality, audit scope, audit methodology and timing of audit, audit focus areas, 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 2019.
- (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 the 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 recommending 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 discussed the internal audit reports which consist of the findings, recommendations and the management responses to ensure that key risks will be addressed and adequate controls put in place on a timely basis.
- (ii) Reviewed Internal Auditors' follow up reports on outstanding audit issues to monitor the effectiveness of corrective actions taken by the management.
- (iii) Reviewed the effectiveness of the internal control and governance processes within the Group.
- (iv) Assessed the Internal Auditors' proficiency, resources and independence to ensure adequate discharge of the duties and responsibilities of the internal audit function.

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 by providing independent assurance on the monitoring and managing of 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 chartered 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 assessment of governance and risk assessment processes within the audited scope, efficiency and effectiveness of internal controls, 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 audit approach adopted by the Group is risk-based targeted at assessing and reviewing the implementation and monitoring of controls to address the critical risk areas of the Group.

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

- (a) completed the following reviews as per the approved risk-based internal audit plan:

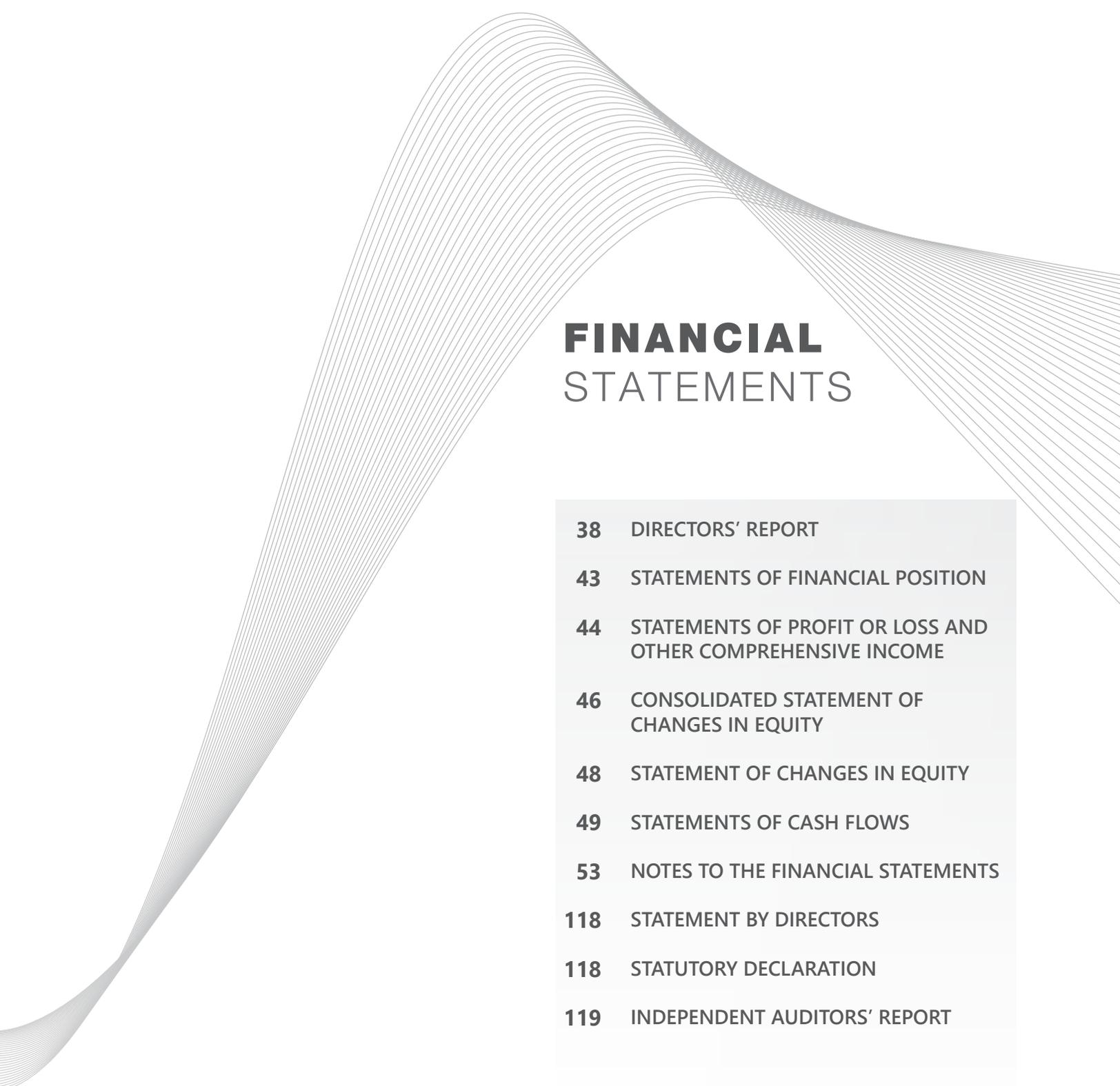
Name of Entity Audited	Audited Areas
CLT Engineering Sdn Bhd	<ul style="list-style-type: none"> ● Project Management ● Procurement Management ● Purchasing Management
Genetec Technology Berhad	<ul style="list-style-type: none"> ● Quality Assurance Management ● Quality Control Management ● Warehouse Management (Raw Materials, Components and Consumables)

- (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 / improvement to address the observations/issues;
- (d) followed up and reported to the Committee on the status of implementation of the management agreed action plans 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 2020 was RM53,931.10 (2019: RM56,956.55).



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DIRECTORS' REPORT

For the Year Ended 31 March 2020

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2020.

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 6 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 6 to the financial statements.

RESULTS

	Group RM	Company RM
Loss for the year attributable to:		
Owners of the Company	166,026	4,236,437
Non-controlling interests	733,500	-
	899,526	4,236,437

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

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

Chin Kem Weng
Sow Ewe Lee
Tan Moon Teik
Hew Voon Foo
Teh Kim Seng
Chen Khai Voon (resigned on 23 June 2020)

DIRECTORS' REPORT

For the Year Ended 31 March 2020

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 31.3.2020
	At 1.4.2019	Bought	Sold	
Interests in the Company:				
Chin Kem Weng				
- Direct	2,198,150	1,454,355	-	3,652,505
Sow Ewe Lee				
- Direct	200,000	-	-	200,000
Tan Moon Teik				
- Direct	2,010,200	294,400	-	2,304,600
Hew Voon Foo				
- Direct	100,000	-	-	100,000
Teh Kim Seng				
- Direct	100,000	-	-	100,000
Chen Khai Voon				
- Indirect [^]	4,564,000	-	-	4,564,000
- Direct	-	823,000	-	823,000

	Number of options over ordinary shares			At 31.3.2020
	At 1.4.2019	Granted	Exercised	
Chin Kem Weng	380,000	-	-	380,000
Sow Ewe Lee	200,000	-	-	200,000
Tan Moon Teik	350,000	-	-	350,000
Chen Khai Voon	100,000	-	-	100,000

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

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

DIRECTORS' REPORT

For the Year Ended 31 March 2020

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) 95,900 new ordinary shares for cash pursuant to the exercise of employees' share options at a weighted average exercise price of RM1.01 per ordinary share.

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year, apart from options issued pursuant to the ESOS in 2018.

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 from the Option Committee, subject to an aggregate duration of ten (10) years from the date of commencement.

DIRECTORS' REPORT

For the Year Ended 31 March 2020

OPTIONS GRANTED OVER UNISSUED SHARES (continued)

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

Date of offer	Exercise price	At 1.4.2019	Exercised	Forfeited	At 31.3.2020
19 December 2017	RM1.01	1,735,100	(95,900)	(3,700)	1,635,500

INDEMNITY AND INSURANCE COSTS

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

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

For the Year Ended 31 March 2020

SIGNIFICANT EVENT

The significant event is disclosed in Note 29 to the financial statements.

AUDITORS

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

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

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

Chin Kem Weng

Director

Sow Ewe Lee

Director

Bandar Baru Bangi, Selangor

Date: 14 July 2020

STATEMENTS OF FINANCIAL POSITION

As At 31 March 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Assets					
Property, plant and equipment	3	34,115,429	35,354,671	15,530,398	16,130,853
Right-of-use assets	4	255,437	-	49,903	-
Goodwill	5	5,059,876	10,559,876	-	-
Investments in subsidiaries	6	-	-	18,346,809	28,546,809
Deferred tax assets	15	2,489,938	2,127,393	2,489,938	2,127,393
Total non-current assets		41,920,680	48,041,940	36,417,048	46,805,055
Inventories	7	11,589,387	7,312,961	3,801,678	4,610,619
Trade and other receivables	9	43,774,774	47,412,359	35,071,395	34,461,871
Prepayments		155,592	190,542	123,274	129,095
Current tax assets		175,487	1,092,474	97,288	806,273
Other investment	10	5,389,014	1,542,478	5,389,014	1,542,478
Cash and cash equivalents	11	15,687,803	13,986,270	10,389,418	7,058,554
Total current assets		76,772,057	71,537,084	54,872,067	48,608,890
Total assets		118,692,737	119,579,024	91,289,115	95,413,945
Equity					
Share capital		63,171,144	63,016,265	63,171,144	63,016,265
Reserves		11,942,398	12,437,741	11,909,886	16,204,343
Equity attributable to owners of the Company	12	75,113,542	75,454,006	75,081,030	79,220,608
Non-controlling interests		6,541,442	7,904,134	-	-
Total equity		81,654,984	83,358,140	75,081,030	79,220,608
Liabilities					
Loans and borrowings	13	8,942,621	9,812,107	2,273,014	3,212,175
Lease liabilities		127,786	-	17,751	-
Deferred tax liabilities	15	1,128,359	1,366,032	-	-
Total non-current liabilities		10,198,766	11,178,139	2,290,765	3,212,175
Loans and borrowings	13	6,404,135	7,160,920	5,704,040	6,643,407
Lease liabilities		135,629	-	34,251	-
Derivative financial liabilities	8	1,334,920	408,991	1,334,920	408,991
Trade and other payables	16	18,964,303	17,472,834	6,844,109	5,928,764
Total current liabilities		26,838,987	25,042,745	13,917,320	12,981,162
Total liabilities		37,037,753	36,220,884	16,208,085	16,193,337
Total equity and liabilities		118,692,737	119,579,024	91,289,115	95,413,945

The notes on pages 53 to 117 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	17	80,332,272	97,159,781	57,728,777	61,765,599
Cost of sales		(65,444,719)	(77,445,803)	(43,317,786)	(45,497,843)
Gross profit		14,887,553	19,713,978	14,410,991	16,267,756
Other income		6,754,093	4,204,180	5,315,157	3,682,644
Administrative expenses		(7,493,137)	(7,245,493)	(4,826,761)	(5,043,641)
Distribution expenses		(3,630,239)	(2,646,001)	(3,157,977)	(2,167,557)
Other expenses		(10,395,194)	(9,258,034)	(14,809,180)	(5,193,192)
Net (loss)/gain on impairment of financial instruments		(577,724)	397,256	(852,762)	378,898
Results from operating activities		(454,648)	5,165,886	(3,920,532)	7,924,908
Finance income		113,472	145,415	95,546	131,690
Finance costs	18	(981,348)	(1,091,411)	(601,078)	(689,704)
(Loss)/Profit before tax		(1,322,524)	4,219,890	(4,426,064)	7,366,894
Tax benefit	19	422,998	1,770,711	189,627	2,095,799
(Loss)/Profit for the year	20	(899,526)	5,990,601	(4,236,437)	9,462,693
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		(407,365)	(396,645)	-	-
Total other comprehensive expense for the year, net of tax		(407,365)	(396,645)	-	-
Total comprehensive (expense)/income for the year		(1,306,891)	5,593,956	(4,236,437)	9,462,693

The notes on pages 53 to 117 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/Profit attributable to:					
Owners of the Company		(166,026)	5,613,508	(4,236,437)	9,462,693
Non-controlling interests		(733,500)	377,093	-	-
(Loss)/Profit for the year		(899,526)	5,990,601	(4,236,437)	9,462,693
Total comprehensive income attributable to:					
Owners of the Company		(437,323)	5,349,350	(4,236,437)	9,462,693
Non-controlling interests		(869,568)	244,606	-	-
Total comprehensive (expense)/income for the year		(1,306,891)	5,593,956	(4,236,437)	9,462,693
Basic (loss)/earnings per ordinary share (sen):	22	(0.39)	13.82		
Diluted (loss)/earnings per ordinary share (sen):	22	(0.39)	13.62		

The notes on pages 53 to 117 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2020

Group	Note	Attributable to owners of the Company						Total equity
		Share capital	Share option reserve	Translation reserve	Retained earnings	Non-controlling interests	Total	
		RM	RM	RM	RM	RM	RM	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 (expense)/ income for the year		-	-	(264,158)	5,613,508	5,349,350	244,606	5,593,956
Share options exercised	14	4,574,487	(1,713,663)	-	-	2,860,824	-	2,860,824
Share options forfeited		-	(27,830)	-	27,830	-	-	-
Dividends to owners of the Company	23	4,574,487	(1,741,493)	-	27,830	2,860,824	-	2,860,824
Dividends by a subsidiary to non-controlling interests	6.2	-	-	-	(2,059,907)	(2,059,907)	-	(2,059,907)
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 12.1 Note 12.2 Note 12.3

The notes on pages 53 to 117 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2020

Group	Note	Attributable to owners of the Company		Non-Distributable		Distributable		Non-controlling interests	Total equity
		Share capital	Share option reserve	Translation reserve	Retained earnings	Total	RM		
At 1 April 2019		63,016,265	1,049,735	(1,175,663)	12,563,669	75,454,006	7,904,134	83,358,140	
Foreign currency translation differences for foreign operations		-	-	(271,297)	-	(271,297)	(136,068)	(407,365)	
Total other comprehensive expense for the year		-	-	(271,297)	-	(271,297)	(136,068)	(407,365)	
Loss for the year		-	-	-	(166,026)	(166,026)	(733,500)	(899,526)	
Total comprehensive expense for the year		-	-	(271,297)	(166,026)	(437,323)	(869,568)	(1,306,891)	
Share options exercised	14	154,879	(58,020)	-	-	96,859	-	96,859	
Share options forfeited		-	(2,238)	-	2,238	-	-	-	
Dividends by a subsidiary to non-controlling interests	6.2	154,879	(60,258)	-	2,238	96,859	-	96,859	
Total transactions with owners of the Company		154,879	(60,258)	-	2,238	96,859	(493,124)	(396,265)	
At 31 March 2020		63,171,144	989,477	(1,446,960)	12,399,881	75,113,542	6,541,442	81,654,984	
		Note 12.1	Note 12.2	Note 12.3					

The notes on pages 53 to 117 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2020

Company	Note	----- Attributable to owners of the Company -----			Total equity RM
		Share capital RM	Non-distributable Share option reserve RM	Distributable Retained earnings RM	
At 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	14	4,574,487	(1,713,663)	-	2,860,824
Share options forfeited		-	(27,830)	27,830	-
At 31 March 2019/1 April 2019		63,016,265	1,049,735	15,154,608	79,220,608
Loss and total comprehensive expense for the year		-	-	(4,236,437)	(4,236,437)
Share options exercised	14	154,879	(58,020)	-	96,859
Share options forfeited		-	(2,238)	2,238	-
At 31 March 2020		63,171,144	989,477	10,920,409	75,081,030
		Note 12.1	Note 12.2		

The notes on pages 53 to 117 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 March 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(1,322,524)	4,219,890	(4,426,064)	7,366,894
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	3	2,334,381	2,376,519	995,739	960,863
Depreciation of right-of-use assets		127,321	-	33,268	-
Finance costs	18	981,348	1,091,411	601,078	689,704
Interest income		(113,472)	(145,415)	(95,546)	(131,690)
Dividend income		-	-	(513,251)	(513,251)
Gain on disposal of property, plant and equipment, net		(14,826)	(181,420)	(52)	(142,612)
Property, plant and equipment written off		-	2,278	-	2,278
Impairment loss on amounts due from subsidiaries		-	-	592,781	18,358
Inventories written off		-	1,287	-	1,287
Impairment loss on trade receivables		370,522	6,556	266,537	6,556
Impairment loss on other receivables		213,758	-	-	-
Write down of inventories		71,380	54,322	22,924	54,322
Change in fair value of other investment		(346,536)	(207,103)	(346,536)	(207,103)
Net unrealised derivative loss		1,334,920	408,991	1,334,920	408,991
Net unrealised foreign exchange (gain)/loss		(1,468,087)	569,415	(1,215,054)	539,647
Impairment loss on investment in a subsidiary		-	-	10,200,000	1,200,000
Impairment loss on goodwill		5,500,000	5,000,000	-	-
Reversal of impairment loss on trade receivables		(6,556)	(403,812)	(6,556)	(403,812)
Operating profit before working capital changes		7,661,629	12,792,919	7,444,188	9,850,432

The notes on pages 53 to 117 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 March 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from operating activities (continued)					
Operating profit before working capital changes (continued)		7,661,629	12,792,919	7,444,188	9,850,432
Changes in working capital:					
Inventories		(4,347,806)	7,294,816	786,017	6,593,718
Trade and other receivables		4,520,894	(21,396,370)	(694,520)	(24,565,736)
Prepayments		34,950	(63,872)	5,821	(2,425)
Trade and other payables and derivative financial liabilities		1,089,532	586,082	953,642	1,706,810
Cash generated from/(used in) operations		8,959,199	(786,425)	8,495,148	(6,417,201)
Tax refunded		950,823	195,402	656,286	-
Tax paid		(211,056)	(241,433)	(120,219)	(141,433)
Net cash from/(used in) operating activities		9,698,966	(832,456)	9,031,215	(6,558,634)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(490,874)	(1,523,556)	(395,293)	(1,270,713)
Interest received		113,472	145,415	95,546	131,690
Dividend received		-	-	513,251	513,251
Proceeds from disposal of property, plant and equipment		220,561	256,808	61	142,808
Proceeds from disposal of other investment		-	5,000,000	-	5,000,000
Acquisition of other investment		(3,500,000)	-	(3,500,000)	-
Net cash (used in)/from investing activities		(3,656,841)	3,878,667	(3,286,435)	4,517,036

The notes on pages 53 to 117 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 March 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from financing activities					
Dividends paid to owners of the Company		-	(2,059,907)	-	(2,059,907)
Dividends paid to non-controlling interest		(493,124)	(493,124)	-	-
Proceeds from issuance of shares		96,859	2,860,824	96,859	2,860,824
Net repayment of trade finance facilities		(997,255)	(2,582,499)	(997,255)	(2,582,499)
Repayment of term loans		(1,034,833)	(963,003)	(629,505)	(583,436)
Interest paid on loans and borrowings		(981,348)	(1,091,411)	(601,078)	(689,704)
Net repayment of finance lease liabilities		(404,183)	(453,042)	(251,768)	(238,358)
Payment of lease liabilities	(iii)	(119,343)	-	(31,169)	-
Net cash used in financing activities		(3,933,227)	(4,782,162)	(2,413,916)	(3,293,080)
Net increase/(decrease) in cash and cash equivalents					
		2,108,898	(1,735,951)	3,330,864	(5,334,678)
Effect of exchange rate fluctuations on cash held		(407,365)	(396,645)	-	-
Cash and cash equivalents at beginning of financial year	(ii)	13,986,270	16,118,866	7,058,554	12,393,232
Cash and cash equivalents at end of financial year	(ii)	15,687,803	13,986,270	10,389,418	7,058,554

(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 RM1,300,874 (2019: RM1,523,556) and RM395,293 (2019: RM1,270,713) respectively, of which RM810,000 (2019: Nil) and Nil (2019: Nil) were acquired by means of finance leases.

(ii) Cash and cash equivalents

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

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	11	15,687,803	13,986,270	10,389,418	7,058,554

The notes on pages 53 to 117 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 March 2020

(iii) Cash outflows for leases as a lessee

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Included in net cash from operating activities					
Payment relating to leases of low value assets	20	23,880	-	21,000	-
Included in net cash used in n financing activities:					
Interest paid in relation to lease liabilities	18	12,329	-	3,331	-
Payment of lease liabilities	13	119,343	-	31,169	-
Total cash outflows for leases		155,552	-	55,500	-

The notes on pages 53 to 117 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 2020 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 2020 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 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 14 July 2020.

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, interpretations and amendments of the MFRSs 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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)**
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 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 amendments where applicable:

- 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;
- from the annual period beginning on 1 April 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020; and
- from the annual period beginning on 1 April 2022 for the amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments “*” which are not applicable to the Group and the Company.

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

The initial application of the abovementioned 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 and the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

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 5.

(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 7 and Note 20.

(iii) Impairment of receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. The Group and the Company assess 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. The impairment losses during the financial year are shown in Note 25.

(iv) Impairment of investments in subsidiaries

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amount of investments in subsidiaries is assessed by reference to the value in use of respective subsidiaries. Value in use is the present value of the projected future cash flows derived from the business operations of respective subsidiaries discounted with appropriate discount rates. The discounted cash flow method involves the use of estimated future results and a set of assumptions to reflect the income and cash flows. Significant judgement is made to determine the future growth of respective subsidiaries and the discount rates to be applied in deriving the present value of the projected future cash flows. The key assumptions used in the investments in subsidiaries impairment assessment are disclosed in Note 6.

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 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 30.

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

(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 or the Company becomes a party to the contractual provisions of the instrument.

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes 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.

(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 at 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) *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)).

Financial liabilities

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
- 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 at 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.

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)

(b) *Amortised cost*

Other financial liabilities not categorised as at 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.

(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.

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.

(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) Leases

The Group and the Company have applied MFRS 16, *Leases*, using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group or the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group and the Company use their incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group or the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group or the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

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

(ii) Operating lease

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

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

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability weighted estimate 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 significantly 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 assess 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

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 asset 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Equity instruments

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

Ordinary shares

Ordinary shares are classified as equity.

(k) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Share-based payment transactions

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

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

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

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 over time 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 RM	Buildings RM	Electrical equipment, renovation, furniture and fittings RM	Plant and machineries RM	Motor vehicles RM	Total RM
Cost						
At 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 2019/1 April 2019	2,846,590	30,563,176	6,894,656	9,074,327	2,637,824	52,016,573
Additions	-	-	215,874	1,085,000	-	1,300,874
Disposals	-	-	(31,360)	(1,130,000)	(55,961)	(1,217,321)
At 31 March 2020	2,846,590	30,563,176	7,079,170	9,029,327	2,581,863	52,100,126
Depreciation						
At 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 2019/1 April 2019	665,009	4,762,226	4,414,429	5,917,227	903,011	16,661,902
Depreciation for the year	56,932	613,467	494,334	766,889	402,759	2,334,381
Disposals	-	-	(30,792)	(924,833)	(55,961)	(1,011,586)
At 31 March 2020	721,941	5,375,693	4,877,971	5,759,283	1,249,809	17,984,697
Carrying amounts						
At 1 April 2018	2,238,513	26,414,417	2,637,157	2,831,743	2,163,470	36,285,300
At 31 March 2019/1 April 2019	2,181,581	25,800,950	2,480,227	3,157,100	1,734,813	35,354,671
At 31 March 2020	2,124,649	25,187,483	2,201,199	3,270,044	1,332,054	34,115,429

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Land RM	Buildings RM	Electrical equipment, renovation, furniture and fittings RM	Plant and machineries RM	Motor vehicles RM	Total RM
Cost						
At 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 2019/1 April 2019	2,846,590	13,128,649	4,365,714	4,342,111	1,705,533	26,388,597
Additions	-	-	120,293	275,000	-	395,293
Disposal	-	-	(27,361)	-	-	(27,361)
At 31 March 2020	2,846,590	13,128,649	4,458,646	4,617,111	1,705,533	26,756,529
Depreciation						
At 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
Disposals	-	-	(28,410)	(648,313)	(21,792)	(698,515)
Written off	-	-	(70,449)	(360,792)	-	(431,241)
At 31 March 2019/1 April 2019	665,009	2,679,301	2,637,275	3,275,700	1,000,459	10,257,744
Depreciation for the year	56,932	262,573	277,762	133,713	264,759	995,739
Disposals	-	-	(27,352)	-	-	(27,352)
At 31 March 2020	721,941	2,941,874	2,887,685	3,409,413	1,265,218	11,226,131
Carrying amounts						
At 1 April 2018	2,238,513	10,711,921	1,821,772	157,045	894,226	15,823,477
At 31 March 2019/1 April 2019	2,181,581	10,449,348	1,728,439	1,066,411	705,074	16,130,853
At 31 March 2020	2,124,649	10,186,775	1,570,961	1,207,698	440,315	15,530,398

3.1 Security

At 31 March 2020, land and buildings of the Group and of the Company with carrying amounts of RM27,312,132 (2019: RM27,982,531) and RM12,311,424 (2019: RM12,630,929) respectively are charged to a bank as security for term loans granted to the Group and the Company (see Note 13).

3.2 Leased assets

Included in the property, plant and equipment of the Group and the Company are plant and machineries and motor vehicles acquired under hire purchase agreements with carrying amounts of RM1,745,466 and RM618,004 respectively (2019: RM1,415,975 and RM906,513).

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS

	Buildings RM
Group	
At 1 April 2019	-
Addition	382,758
Depreciation	(127,321)
At 31 March 2020	255,437
Company	
At 1 April 2019	-
Addition	83,171
Depreciation	(33,268)
At 31 March 2020	49,903

4.1 Extension options

Certain lease contracts contain extension option exercisable before the end of the non-cancellable contract period. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Company reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within their control.

Group	Lease liabilities recognised (discounted) RM	Future lease payments included in lease liabilities (discounted) RM	Historical rate of exercise of extension options %
Buildings	263,415	65,229	100
Company			
	Lease liabilities recognised (discounted) RM	Future lease payments included in lease liabilities (discounted) RM	Historical rate of exercise of extension options %
Buildings	52,002	49,210	100

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS (continued)

4.2 Significant judgements and assumptions in relation to lease

The Group and the Company apply significant judgement when assessing whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. GOODWILL

	Group RM
Cost	
At 1 April 2018/31 March 2019/1 April 2019/31 March 2020	20,559,876
Accumulated impairment loss	
At 1 April 2018	(5,000,000)
Impairment loss	(5,000,000)
At 31 March 2019/1 April 2019	(10,000,000)
Impairment loss	(5,500,000)
At 31 March 2020	(15,500,000)
Carrying amount	
At 1 April 2018	15,559,876
At 31 March 2019/1 April 2019	10,559,876
At 31 March 2020	5,059,876

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 2020, CLT Engineering Sdn. Bhd. experienced a significant decrease in sales order as compared to 2019. The Group anticipates the Hard Disk Drive ("HDD") industry continues to be challenging with the softening of the global demand. An impairment loss was therefore recognised.

The recoverable amount of the business unit is derived based on value in use calculations, determined by discounting the pre-tax cash flow projections. The financial budget 2021 approved by the Board of Directors is used as the base in the preparation of cash flow projections. The cash flows beyond 2021 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.

NOTES TO THE FINANCIAL STATEMENTS

5. GOODWILL (continued)

Impairment testing for cash-generating units containing goodwill (continued)

The carrying amount of goodwill amounting to RM10,559,876 was determined to be higher than its recoverable amount of RM5,059,876 and an impairment loss of RM5,500,000 (2019: RM5,000,000) 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 unit and was based on the following key assumptions:

- There will be no material change in structure and principal activities of cash-generating units.
- Sales for year 2021 are expected to decrease by 20% due to Covid-19 pandemic and is expected to grow at 3% from year 2022 to 2025 (2019: 2%).
- Gross profit margin will be at 14% from year 2021 to 2022 and at 15% from year 2023 to 2025 (2019: 16%).
- General and administrative expenses are expected to increase at 3% (2019: 5%) per annum taking into account inflationary pressure on prices.
- A pre-tax discount rate of 14% (2019: 14%) 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 at 3% (2019: 2%) per annum.

The values assigned to the key assumptions represent management's assessment of future trends in the business unit's 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, terminal growth rate and gross profit margin. The sensitivity analysis is presented at below:-

- Impairment loss amounted to RM1.41 million would have occurred had the discount rate increased by 1%.
- Impairment loss amounted to RM1.20 million would have occurred had the future planned revenue decreased by 3%.
- Impairment loss amounted to RM0.95 million would have occurred had the terminal growth rate decreased by 1%.
- Impairment loss amounted to RM1.47 million would have occurred had the gross profit margin decreased by 1% from year 2023 to 2025.

NOTES TO THE FINANCIAL STATEMENTS**6. INVESTMENTS IN SUBSIDIARIES**

	Note	Company RM
Cost		
At 1 April 2018/31 March 2019/1 April 2019		31,456,804
Addition*		-
At 31 March 2020		31,456,804
Accumulated impairment loss		
At 1 April 2018		(1,709,995)
Impairment loss		(1,200,000)
At 31 March 2019/1 April 2019		(2,909,995)
Impairment loss		(10,200,000)
At 31 March 2020	6.1	(13,109,995)
Carrying amount		
At 1 April 2018		29,746,809
At 31 March 2019/1 April 2019		28,546,809
At 31 March 2020		18,346,809

* The Company incorporated a new wholly-owned subsidiary in Shanghai, China known as Genetec Technology (Shanghai) Private Limited with a registered capital of RMB2 million during the financial year. As at 31 March 2020, the Company has yet to transfer any amount to the said subsidiary as paid up capital.

NOTES TO THE FINANCIAL STATEMENTS

6. 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	
			2020	2019
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%
Genetec Technology (Shanghai) Private Limited ^{#, @, ^}	China	Dormant.	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.

^ This subsidiary was newly incorporated during the financial year.

6.1 Accumulated impairment loss

	Company	
	2020 RM	2019 RM
CLT Engineering Sdn. Bhd. ("CLTE")	12,900,000	2,700,000
FAS Manufacturing Sdn. Bhd. ("FASM")	149,998	149,998
FAS Technology Solution Sdn. Bhd. ("FAST")	59,997	59,997
	13,109,995	2,909,995

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (continued)

6.1 Accumulated impairment loss (continued)

Impairment testing for investment in CLTE

The recoverable amount of investment in CLTE was based on its value in use, determined by discounting future cash flows to be generated by CLTE based on the financial budgets approved by the Board of Directors and was based on the following key assumptions:

- There will be no material change in structure and principal activities of cash-generating units.
- Sales for year 2021 are expected to decrease by 20% due to Covid-19 pandemic and is expected to grow at 3% from year 2022 to 2025 (2019: 2%).
- Gross profit margin will be at 14% from year 2021 to 2022 and at 15% from year 2023 to 2025 (2019: 16%).
- General and administrative expenses are expected to increase at 3% (2019: 5%) per annum taking into account inflationary pressure on prices.
- A pre-tax discount rate of 14% (2019: 14%) 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 at 3% (2019: 2%) per annum.

The values assigned to the key assumptions represent management's assessment of future trends in the business unit's 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, terminal growth rate and gross profit margin. The sensitivity analysis is presented at below:-

- Impairment loss amounted to RM1.50 million would have occurred had the discount rate increased by 1%.
- Impairment loss amounted to RM1.27 million would have occurred had the future planned revenue decreased by 3%.
- Impairment loss amounted to RM1.03 million would have occurred had the terminal growth rate decreased by 1%.
- Impairment loss amounted to RM1.55 million would have occurred had the gross profit margin decreased by 1% from year 2023 to 2025.

Based on the impairment test performed, the recoverable amount of the investment in CLTE was determined to be lower than its carrying amount. As a result, an impairment loss of RM10,200,000 (2019: RM1,200,000) was recognised in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (continued)

6.2 Non-controlling interests in subsidiaries

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

	CLTE	Other subsidiaries	Total
2020			
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI (RM)	12,688,220	(6,146,778)	6,541,442
Loss allocated to NCI (RM)	(733,500)	-	(733,500)
Summarised financial information before intra-group elimination			
As at 31 March	RM		
Non-current assets	18,790,563		
Current assets	21,924,113		
Non-current liabilities	(7,908,016)		
Current liabilities	(6,912,333)		
Net assets	25,894,327		
Dividend paid to NCI	493,124		
Year ended 31 March	RM		
Revenue	22,781,585		
Loss for the year	(1,496,939)		
Cash flows from operating activities	246,652		
Cash flows used in investing activities	(667,157)		
Cash flows used in financing activities	(1,211,687)		
Net decrease in cash and cash equivalents	(1,632,192)		

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (continued)

6.2 Non-controlling interests in subsidiaries (continued)

	CLTE	Other subsidiaries	Total
2019			
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 from 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

7. INVENTORIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Raw materials	293,413	444,743	160,013	249,310
Consumables	927,793	126,997	927,451	66,950
Work-in-progress	10,368,181	6,741,221	2,714,214	4,294,359
	11,589,387	7,312,961	3,801,678	4,610,619
Recognised in profit or loss:				
Inventories recognised as cost of sales	45,501,854	57,264,955	29,618,151	32,330,437
Write down to net realisable value	71,380	54,322	22,924	54,322
Inventories written off	-	1,287	-	1,287

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

8. DERIVATIVE FINANCIAL LIABILITIES

	2020		2019	
	Nominal value RM	Liabilities RM	Nominal value RM	Liabilities RM
Group and Company				
Derivatives held at fair value through profit or loss and represented at fair value:				
- Forward exchange contracts	43,597,170	(1,334,920)	36,768,020	(408,991)

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 currency of respective 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

9. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade					
Trade receivables		39,925,719	43,234,728	32,728,686	30,851,622
Non-trade					
Other receivables	9.1	3,636,153	3,779,530	2,259,964	2,893,867
Goods and services tax		-	196,898	-	56,228
Amounts due from subsidiaries	9.2	-	-	4,862,486	4,847,613
Deposits		212,902	201,203	77,977	77,478
		3,849,055	4,177,631	7,200,427	7,875,186
Impairment loss on amounts due from subsidiaries	9.2	-	-	(4,857,718)	(4,264,937)
		3,849,055	4,177,631	2,342,709	3,610,249
		43,774,774	47,412,359	35,071,395	34,461,871

9.1 Included in other receivables for the Group and the Company are advances to suppliers of RM2,128,352 (2019: RM1,752,760) and disbursements to shareholders held by the share registrar of Nil (2019: RM1,053,460) to facilitate the dividend payment after the end of the reporting period (see Note 16).

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

10. 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 2020 were RM5,389,014 and RM0.535 (2019: RM1,542,478 and RM0.531) 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 10,072,923 (2019: 2,903,762) units of the Fund as at 31 March 2020.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	15,687,803	13,986,270	10,389,418	7,058,554

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount	Number	Amount	Number
	2020	of shares	2019	of shares
	RM	2020	RM	2019
Ordinary shares, issued and fully paid:				
At beginning of financial year	63,016,265	42,265,400	58,441,778	39,432,900
Issued for cash pursuant to ESOS	154,879	95,900	4,574,487	2,832,500
At end of financial year	63,171,144	42,361,300	63,016,265	42,265,400
	Note 12.1			

12.1 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.

12.2 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 14.

12.3 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

13. LOANS AND BORROWINGS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-current				
Finance lease liabilities	1,061,763	819,630	197,407	462,705
Term loans (secured)	7,880,858	8,992,477	2,075,607	2,749,470
	8,942,621	9,812,107	2,273,014	3,212,175
<hr style="border-top: 1px dashed black;"/>				
Current				
Finance lease liabilities	533,302	369,618	265,178	251,648
Revolving loans (secured)	2,000,000	2,000,000	2,000,000	2,000,000
Bankers' acceptances (secured)	2,768,988	3,766,243	2,768,988	3,766,243
Term loans (secured)	1,101,845	1,025,059	669,874	625,516
	6,404,135	7,160,920	5,704,040	6,643,407
	15,346,756	16,973,027	7,977,054	9,855,582

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 3.1) 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 significant covenants set out at below:

- 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

13. LOANS AND BORROWINGS (continued)

Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments 2020 RM	Interest 2020 RM	Present value of minimum lease payments 2020 RM	Future minimum lease payments 2019 RM	Interest 2019 RM	Present value of minimum lease payments 2019 RM
Group						
Less than one year	607,488	(74,186)	533,302	419,448	(49,830)	369,618
Between one and five years	1,150,086	(88,323)	1,061,763	865,074	(45,444)	819,630
	1,757,574	(162,509)	1,595,065	1,284,522	(95,274)	1,189,248
Company						
Less than one year	281,904	(16,726)	265,178	281,784	(30,136)	251,648
Between one and five years	202,818	(5,411)	197,407	484,842	(22,137)	462,705
	484,722	(22,137)	462,585	766,626	(52,273)	714,353

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

Group	Finance lease liabilities RM	Lease liabilities RM	Bankers' acceptances - secured RM	Revolving loan - secured RM	Term loan - secured RM	Total liabilities from financing activities RM
At 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
Effect of adoption of MFRS 16	-	382,758	-	-	-	382,758
At 1 April 2019	1,189,248	382,758	3,766,243	2,000,000	10,017,536	17,355,785
Drawdown	810,000	-	10,778,655	-	-	11,588,655
Repayment	(404,183)	(119,343)	(11,775,910)	-	(1,034,833)	(13,334,269)
At 31 March 2020	1,595,065	263,415	2,768,988	2,000,000	8,982,703	15,610,171

NOTES TO THE FINANCIAL STATEMENTS

13. LOANS AND BORROWINGS (continued)

Finance lease liabilities (continued)

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

Company	Finance lease liabilities RM	Lease liabilities RM	Bankers' acceptances - secured RM	Revolving loan - secured RM	Term loan - secured RM	Total liabilities from Financing activities RM
At 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
Effect of adoption of MFRS 16	-	83,171	-	-	-	83,171
At 1 April 2019	714,353	83,171	3,766,243	2,000,000	3,374,986	9,938,753
Repayment	(251,768)	(31,169)	(997,255)	-	(629,505)	(1,909,697)
At 31 March 2020	462,585	52,002	2,768,988	2,000,000	2,745,481	8,029,056

14. 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

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

	Weighted average exercise price RM	Number of options 2020	Number of options 2019
Outstanding at 1 April	1.01	1,735,100	4,613,600
Exercised during the year	1.01	(95,900)	(2,832,500)
Forfeited during the year	1.01	(3,700)	(46,000)
Outstanding at 31 March	1.01	1,635,500	1,735,100

NOTES TO THE FINANCIAL STATEMENTS

14. SHARE OPTION PROGRAMME (continued)

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

	Group and Company 2020 and 2019
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

15. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

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

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM
Group						
Property, plant and equipment	-	-	(3,265,773)	(2,954,545)	(3,265,773)	(2,954,545)
Provisions	2,001,666	1,723,028	-	-	2,001,666	1,723,028
Unutilised tax losses	2,515,725	1,970,308	-	-	2,515,725	1,970,308
Others	109,961	22,570	-	-	109,961	22,570
Tax assets/(liabilities)	4,627,352	3,715,906	(3,265,773)	(2,954,545)	1,361,579	761,361
Set off of tax	(2,137,414)	(1,588,513)	2,137,414	1,588,513	-	-
Net deferred tax assets/(liabilities)	2,489,938	2,127,393	(1,128,359)	(1,366,032)	1,361,579	761,361
Company						
Property, plant and equipment	-	-	(1,024,860)	(1,007,352)	(1,024,860)	(1,007,352)
Provisions	1,407,318	1,323,252	-	-	1,407,318	1,323,252
Unutilised tax losses	2,078,712	1,941,008	-	-	2,078,712	1,941,008
Others	28,768	-	-	(129,515)	28,768	(129,515)
Tax assets/(liabilities)	3,514,798	3,264,260	(1,024,860)	(1,136,867)	2,489,938	2,127,393
Set off of tax	(1,024,860)	(1,136,867)	1,024,860	1,136,867	-	-
Net deferred tax assets/(liabilities)	2,489,938	2,127,393	-	-	2,489,938	2,127,393

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Unrecognised deferred tax assets

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised tax losses	8,661,301	13,754,692	8,661,301	13,754,692

The unutilised tax losses of the Group and of the Company of RM8,661,301 (2019: RM13,754,692) expires in 2025 under the current tax legislation. In 2020, RM5,093,391 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.

Movement in temporary differences during the year

	At 1.4.2018 RM	Recognised in profit or loss (Note 19) RM	At 31.3.2019/ 1.4.2019 RM	Recognised in profit or loss (Note 19) RM	At 31.3.2020 RM
Group					
Property, plant and equipment	(2,686,157)	(268,388)	(2,954,545)	(311,228)	(3,265,773)
Provisions	1,725,775	(2,747)	1,723,028	278,638	2,001,666
Unutilised tax losses	-	1,970,308	1,970,308	545,417	2,515,725
Other temporary differences	(83,856)	106,426	22,570	87,391	109,961
	(1,044,238)	1,805,599	761,361	600,218	1,361,579
Company					
Property, plant and equipment	(848,894)	(158,458)	(1,007,352)	(17,508)	(1,024,860)
Provisions	939,990	383,262	1,323,252	84,066	1,407,318
Unutilised tax losses	-	1,941,008	1,941,008	137,704	2,078,712
Other temporary differences	(91,096)	(38,419)	(129,515)	158,283	28,768
	-	2,127,393	2,127,393	362,545	2,489,938

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade				
Trade payables	10,235,385	9,629,553	3,822,379	3,686,073
Non-trade				
Other payables	8,309,168	5,606,403	2,668,473	208,495
Accruals	419,750	1,183,418	353,257	980,736
Dividend payable	-	1,053,460	-	1,053,460
	8,728,918	7,843,281	3,021,730	2,242,691
	18,964,303	17,472,834	6,844,109	5,928,764

17. REVENUE

The Group generates revenue primarily from production of industrial automation products (see Note 17.2).

17.1 Disaggregation of revenue

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers				
Industrial automation products	80,332,272	97,159,781	57,728,777	61,765,599
Timing and recognition				
At a point in time	80,332,272	97,159,781	57,728,777	61,765,599

17.2 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.

NOTES TO THE FINANCIAL STATEMENTS

17. REVENUE (continued)

17.3 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.

18. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Term loans	525,456	610,381	208,151	258,304
- Finance lease liabilities	62,364	72,936	30,136	43,546
- Interest expense on lease liabilities	12,329	-	3,331	-
- Bankers' acceptances	187,576	210,824	187,575	210,824
- Revolving loans	105,925	133,275	105,925	133,275
- Other finance costs	87,698	63,995	65,960	43,755
	981,348	1,091,411	601,078	689,704

NOTES TO THE FINANCIAL STATEMENTS

19. TAX BENEFIT

Recognised in profit or loss

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current tax expense				
- Current year	27,233	34,900	22,931	31,606
- Under/(Over) provision in prior years	149,987	(12)	149,987	(12)
	177,220	34,888	172,918	31,594
Deferred tax benefit				
- Origination and reversal of temporary differences	998,433	(1,655,165)	1,359,610	(1,951,290)
- Over provision in prior years	(1,598,651)	(150,434)	(1,722,155)	(176,103)
	(600,218)	(1,805,599)	(362,545)	(2,127,393)
Total tax benefit	(422,998)	(1,770,711)	(189,627)	(2,095,799)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Reconciliation of effective tax benefit				
(Loss)/Profit for the year	(899,526)	5,990,601	(4,236,437)	9,462,693
Total tax benefit	(422,998)	(1,770,711)	(189,627)	(2,095,799)
(Loss)/Profit excluding tax	(1,322,524)	4,219,890	(4,426,064)	7,366,894
Income tax calculated using Malaysian tax rate of 24% (2019: 24%)	(317,406)	1,012,773	(1,062,255)	1,768,055
Effect of previously unrecognised tax losses	-	(4,055,022)	-	(4,055,022)
Non-deductible expenses	1,426,253	1,421,984	2,527,977	367,283
Tax exempt income	(83,181)	-	(83,181)	-
Over provision in prior years	(1,448,664)	(150,446)	(1,572,168)	(176,115)
	(422,998)	(1,770,711)	(189,627)	(2,095,799)

A group entity, CLT Engineering Sdn. Bhd. ("CLTE") 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.

NOTES TO THE FINANCIAL STATEMENTS

20. (LOSS)/PROFIT FOR THE YEAR

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Loss/(Profit) for the year is arrived at after charging:				
Auditors' remunerations				
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
Material expenses/(income)				
Depreciation of property, plant and equipment	2,334,381	2,376,519	995,739	960,863
Depreciation of right-of-use assets	127,321	-	33,268	-
Net derivative loss				
- realised	396,544	1,433,233	396,544	1,433,233
- unrealised	1,334,920	408,991	1,334,920	408,991
Impairment losses on:				
- goodwill	5,500,000	5,000,000	-	-
- investment in subsidiary	-	-	10,200,000	1,200,000
Inventories written off	-	1,287	-	1,287
Net loss on foreign exchange:				
- unrealised	-	569,415	-	539,647
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,695,587	1,693,010	1,315,970	1,286,257
- Wages, salaries and others	16,331,294	16,696,467	11,845,790	11,482,632
Property, plant and equipment written off	-	2,278	-	2,278
Write-down of inventories	71,380	54,322	22,924	54,322
Interest income	(113,472)	(145,415)	(95,546)	(131,690)
Gain on disposal of property, plant and equipment, net	(14,826)	(181,420)	(52)	(142,612)
Fair value gain on other investment	(346,536)	(207,103)	(346,536)	(207,103)
Net gain on foreign exchange:				
- realised	(402,287)	(1,295,290)	(450,548)	(1,259,048)
- unrealised	(1,468,087)	-	(1,215,054)	-
Dividend income	-	-	(513,251)	(513,251)
Rental income	(726,000)	(726,000)	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Expenses arising from leases				
Expenses relating to leases of low value assets	23,880	-	21,000	-
Rental expense on properties	-	15,876	-	-
Net loss/(gain) on impairment of financial instruments				
Financial assets at amortised cost				
Impairment loss				
- Trade receivables	370,522	6,556	266,537	6,556
- Other receivables	213,758	-	-	-
- Amounts due from subsidiaries	-	-	592,781	18,358
Reversal of impairment loss				
- Trade receivables	(6,556)	(403,812)	(6,556)	(403,812)

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors:				
- Remuneration	2,149,825	2,069,030	1,635,675	1,554,880
- Fees	240,000	276,000	240,000	276,000
- Other short-term employee benefits	111,950	99,975	51,950	39,975
	2,501,775	2,445,005	1,927,625	1,870,855
Other key management personnel	1,845,015	1,772,036	1,845,015	1,772,036
	4,346,790	4,217,041	3,772,640	3,642,891

NOTES TO THE FINANCIAL STATEMENTS

22. LOSS/(EARNINGS) PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic loss per ordinary share at 31 March 2020 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2020	2019
	RM	RM
(Loss)/Profit for the year attributable to owners of the Company:	(166,026)	5,613,508
Weighted average number of ordinary shares	42,295,036	40,622,535
	2020	2019
	Sen	Sen
Basic (loss)/earnings per ordinary share	(0.39)	13.82

Diluted (loss)/earnings per ordinary share

The calculation of diluted loss per ordinary share at 31 March 2020 was based on (loss)/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	
	2020	2019
Weighted average number of ordinary shares at 31 March (basic)	42,295,036	40,622,535
Effect of share options on issue	302,284	597,883
Weighted average number of ordinary shares at 31 March (diluted)	42,597,320	41,220,418

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.

	2020	2019
	Sen	Sen
Diluted (loss)/earnings per ordinary share	(0.39)	13.62

NOTES TO THE FINANCIAL STATEMENTS

23. DIVIDENDS

2019

	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.

Geographical information

	Revenue	
	2020 RM	2019 RM
Group		
Domestic	10,413,868	33,118,317
Asia	36,368,085	61,368,383
Europe	32,401,862	973,606
North America	1,148,457	1,699,475
	80,332,272	97,159,781

Major customers

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

	Revenue	
	2020 RM	2019 RM
Group		
All common control companies of:		
Customer A*	45,902,894	52,011,826
Customer B*	23,821,973	39,766,742

* 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 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			
2020			
Financial assets			
Trade and other receivables [^]	41,646,422	41,646,422	-
Other investment	5,389,014	-	5,389,014
Cash and cash equivalents	15,687,803	15,687,803	-
	62,723,239	57,334,225	5,389,014
Financial liabilities			
Derivative financial liabilities	(1,334,920)	-	(1,334,920)
Loans and borrowings	(15,346,756)	(15,346,756)	-
Trade and other payables	(18,964,303)	(18,964,303)	-
	(35,645,979)	(34,311,059)	(1,334,920)
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)

[^] Exclude GST and advances to suppliers

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.1 Categories of financial instruments (continued)

	Carrying Amount RM	AC RM	FVTPL RM
Company			
2020			
Financial assets			
Trade and other receivables [^]	32,943,043	32,943,043	-
Other investment	5,389,014	-	5,389,014
Cash and cash equivalents	10,389,418	10,389,418	-
	48,721,475	43,332,461	5,389,014
Financial liabilities			
Derivative financial liabilities	(1,334,920)	-	(1,334,920)
Loans and borrowings	(7,977,054)	(7,977,054)	-
Trade and other payables	(6,844,109)	(6,844,109)	-
	(16,156,083)	(14,821,163)	(1,334,920)
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)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Net gains/(losses) arising on:				
Fair value through profit or loss:				
- Mandatorily required by MFRS 9	(1,384,929)	(1,635,121)	(1,384,929)	(1,635,121)
Financial assets measured at amortised cost	1,771,844	886,528	1,185,818	746,257
Financial liabilities measured at amortised cost	(1,347,071)	(709,393)	(878,510)	(205,972)
	(960,156)	(1,457,986)	(1,077,621)	(1,094,836)

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 statement of financial position.

The Group has concentration of credit risk through the Group's two major customers which represent 91% (2019: 94%) 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 credit risk exposure of trade receivables as at the end of the reporting period by geographic region was:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Domestic	879,058	11,230,057	673,842	1,413,783
Asia	13,997,022	31,584,484	7,005,205	29,118,350
Europe	24,174,876	-	24,174,876	-
North America	874,763	420,187	874,763	319,489
	39,925,719	43,234,728	32,728,686	30,851,622

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

25.4.1 Receivables (continued)

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.

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables as at 31 March 2020.

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Group			
2020			
Not past due	4,442,196	(13,225)	4,428,971
Past due 1 - 30 days	1,936,779	(87,876)	1,848,903
Past due more than 30 days	34,129,775	(481,930)	33,647,845
	40,508,750	(583,031)	39,925,719
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			
2020			
Not past due	2,270,040	(13,225)	2,256,815
Past due 1 - 30 days	1,354,985	(85,485)	1,269,500
Past due more than 30 days	29,370,198	(167,827)	29,202,371
	32,995,223	(266,537)	32,728,686
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

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

25.4.1 Receivables (continued)

Impairment losses (continued)

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

	Group RM	Company RM
Group		
Balance at 1 April 2018 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 2019/1 April 2019	219,065	6,556
Amount reversed	(6,556)	(6,556)
Net remeasurement of loss allowance	370,522	266,537
Balance at 31 March 2020	583,031	266,537

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.

25.4.2 Bank balances placed with licensed banks

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 institutions 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 statement 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, accordingly, loss allowance is not provided for.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.4 Credit risk (continued)

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

During the year, an additional allowance for impairment losses on amounts due from subsidiaries of RM592,781 (2019: RM18,358) was made. The accumulated impairment losses at end of the reporting period was RM4,857,718 (2019: RM4,264,937).

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.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM35,500,000 (2019: 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 mainly relate to deposits paid for buildings rented. 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.

During the year, an additional allowance for impairment losses on other receivables of RM213,758 (2019: Nil) was made. The accumulated impairment losses at end of the reporting period was RM1,666,983 (2019: RM1,453,225).

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

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.

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	Contractual interest/Discount rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
Group							
2020							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	1,595,065	2.31 - 3.40	1,757,574	607,488	528,402	621,684	-
Lease liabilities	263,415	4.80	281,856	144,628	51,829	85,399	-
Secured term loans	8,982,703	4.64 - 7.00	11,150,432	1,553,029	1,553,005	3,586,320	4,458,078
Bankers' acceptances	2,768,988	4.05 - 5.45	2,778,305	2,778,305	-	-	-
Revolving loans	2,000,000	5.13	2,025,720	2,025,720	-	-	-
Trade and other payables	18,964,303	-	18,964,303	18,964,303	-	-	-
	34,574,474		36,958,190	26,073,473	2,133,236	4,293,403	4,458,078
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	1,334,920	-	44,932,090	44,932,090	-	-	-
Inflow	-	-	(43,597,170)	(43,597,170)	-	-	-
	35,909,394		38,293,110	27,408,393	2,133,236	4,293,403	4,458,078

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							
2019							
<i>Non-derivative financial liabilities</i>							
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
<i>Derivative financial assets</i>							
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/Discount rate	Contractual cash flows	Under 1 Year	1 – 2 years	2 – 5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
Company							
2020							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	462,585	2.37 - 3.20	484,722	281,904	202,818	-	-
Lease liabilities	52,002	4.80	54,000	36,000	18,000	-	-
Secured term loans	2,745,481	7.00	3,131,010	840,760	840,736	1,449,514	-
Bankers' acceptances	2,768,988	4.05 - 5.45	2,778,305	2,778,305	-	-	-
Revolving loans	2,000,000	5.13	2,025,720	2,025,720	-	-	-
Trade and other payables	6,844,109	-	6,844,109	6,844,109	-	-	-
Financial guarantees	-	-	35,500,000	35,500,000	-	-	-
	14,873,165		50,817,866	48,306,798	1,061,554	1,449,514	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	1,334,920	-	44,932,090	44,932,090	-	-	-
Inflow	-	-	(43,597,170)	(43,597,170)	-	-	-
	16,208,085		52,152,786	49,641,718	1,061,554	1,449,514	-

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
Company							
2019							
<i>Non-derivative financial liabilities</i>							
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	-
<i>Derivative financial assets</i>							
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	-

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 RM	SGD RM	THB RM
Group			
2020			
Trade receivables	35,063,883	-	-
Cash and cash equivalents	7,546,921	17,299	1,740
Forward exchange contracts	(1,334,920)	-	-
Trade payables	(184,762)	(499,128)	(499,485)
	41,091,122	(481,829)	(497,745)
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)

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 RM	SGD RM	THB RM
Company			
2020			
Trade receivables	32,058,612	-	-
Cash and cash equivalents	7,257,757	4,219	440
Forward exchange contracts	(1,334,920)	-	-
Trade payables	(68,884)	(85,463)	(426,127)
	37,912,565	(81,244)	(425,687)
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)

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% (2019: 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
USD	(3,122,925)	(2,510,428)	(2,881,355)	(2,288,443)
SGD	36,619	40,670	6,175	9,232
THB	37,829	33,399	32,352	43,078

A 10% (2019: 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 adopt a policy of investing and borrowing in both fixed rate and floating rate instruments. The fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rate except for short term borrowings. The Group's and the Company's variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rate.

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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Fixed rate instruments				
Financial liabilities	(4,627,468)	(4,955,491)	(3,283,575)	(4,480,596)
Floating rate instruments				
Financial liabilities	(10,982,703)	(12,017,536)	(4,745,481)	(5,374,986)

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
	2020	2020	2019	2019
	RM	RM	RM	RM
Group				
Floating rate instruments	(8,347)	8,347	(9,133)	9,133
Company				
Floating rate instruments	(3,607)	3,607	(4,085)	4,085

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% (2019: 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 RM409,565 (2019: RM117,228). A 10% (2019: 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				Total fair value RM	Carrying amount RM
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM		
Group										
2020										
Financial assets										
Other investment	-	5,389,014	-	5,389,014	-	-	-	-	5,389,014	5,389,014
Financial liabilities										
Forward exchange contracts	-	(1,334,920)	-	(1,334,920)	-	-	-	-	(1,334,920)	(1,334,920)
Term loans – secured	-	-	-	-	-	-	(8,982,703)	(8,982,703)	(8,982,703)	(8,982,703)
Finance lease liabilities	-	-	-	-	-	-	(1,665,059)	(1,665,059)	(1,665,059)	(1,595,065)
	-	(1,334,920)	-	(1,334,920)	-	-	(10,647,762)	(10,647,762)	(11,982,682)	(11,912,688)
2019										
Financial assets										
Other investment	-	1,542,478	-	1,542,478	-	-	-	-	1,542,478	1,542,478
Financial liabilities										
Forward exchange contracts	-	(480,991)	-	(480,991)	-	-	-	-	(480,991)	(480,991)
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)
	-	(480,991)	-	(480,991)	-	-	(11,278,705)	(11,278,705)	(11,687,696)	(11,615,775)

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		
Company										
2020										
Financial assets										
Other investment	-	5,389,014	-	5,389,014	-	-	-	-	5,389,014	5,389,014
Financial liabilities										
Forward exchange contracts	-	(1,334,920)	-	(1,334,920)	-	-	-	-	(1,334,920)	(1,334,920)
Term loans - secured	-	-	-	-	-	-	(2,745,481)	(2,745,481)	(2,745,481)	(2,745,481)
Finance lease liabilities	-	-	-	-	-	-	(471,785)	(471,785)	(471,785)	(462,585)
	-	(1,334,920)	-	(1,334,920)	-	-	(3,217,266)	(3,217,266)	(4,552,186)	(4,542,986)
2019										
Financial assets										
Other investment	-	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)

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).

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (continued)

25.7 Fair value information (continued)

Level 2 fair value (continued)

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 (2019: 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.

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 2020 and 31 March 2019 were as follows:

	Note	2020 RM	Group 2019 RM
Total loans and borrowings	13	15,346,756	16,973,027
Less: Cash and cash equivalents	11	(15,687,803)	(13,986,270)
		(341,047)	2,986,757
Total equity		81,654,984	83,358,140
Debt-to-equity ratio		-	0.04

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

The significant loan covenants of the Group and the Company are disclosed in Note 13. There was no breach of covenants during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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	
	2020	2019
	RM	RM
Guarantees given to financial institutions for banking facilities granted to a subsidiary	35,500,000	41,500,000

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 9 and 16. The impairment loss made on the balances with related parties is disclosed in Note 9.

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Subsidiaries				
Purchases	-	-	178,089	448
Subsidiaries of an affiliate company				
Purchases	501,091	696,404	337,492	674,654

As at 31 March 2020, the balances outstanding owing to subsidiaries of an affiliate company, KVC Industrial Supplies Sdn. Bhd. and TSA Industries Sdn. Bhd. are RM247,276 (2019: RM218,190) and RM5,883 (2019: RM21,855) respectively.

NOTES TO THE FINANCIAL STATEMENTS

29. SIGNIFICANT EVENT

Effect of COVID-19

The coronavirus (“COVID-19”) pandemic was announced by the World Health Organisation as a global emergency as outbreaks occurred in countries across the world including Malaysia. The COVID-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts. The COVID-19 has certain impact on the business operations of the Group in particular the supply chain as well as the delivery and buy-off process of our production lines. The extent of the impact of COVID-19 on the Group’s operational and financial performance will largely depend on the duration and intensity of the outbreak. As the current situation of the outbreak in many countries continues to evolve, the Group will monitor the developments of COVID-19 situation closely to minimise any impacts that may arise from COVID-19.

As at the date of the financial statements are authorised for issue, due to the impact of COVID-19, the recoverable amounts for goodwill and investments in subsidiaries are estimated to be even lower than respective original recoverable amounts, accordingly, additional impairment losses of RM5,500,000 and RM5,912,000 were made which would otherwise have been Nil and RM4,288,000 respectively. The key assumptions are disclosed in Note 5 and Note 6 respectively.

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16, *Leases*.

Definition of a lease

On transition to MFRS 16, the Group and the Company elected to apply the practical expedient to grandfather the assessment of which transactions are categorised as leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balances of retained earnings at 1 April 2019.

At 1 April 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities’ incremental borrowing rate as at 1 April 2019. The weighted-average applied is 4.8%. Right-of-use assets are measured at an amount equal to lease liability adjusted by the amount of any prepaid or accrued lease payments.

The Group and the Company used the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of lease with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 April 2019; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 using modified retrospective approach, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments applying MFRS 117 at 31 March 2019, and lease liabilities recognised in the statement of financial position at 1 April 2019.

Group	RM
Operating lease commitments at 31 March 2019	465,199
Discounted using the incremental borrowing rate at 1 April 2019	435,700
Recognition exemption for leases of low-value assets	(52,942)
Lease liabilities recognised at 1 April 2019	382,758
Company	RM
Operating lease commitments at 31 March 2019	137,500
Discounted using the incremental borrowing rate at 1 April 2019	127,874
Recognition exemption for lease of low-value assets	(44,703)
Lease liabilities recognised at 1 April 2019	83,171

31. COMPARATIVE FIGURES

The following comparatives have been reclassified in order to conform with the current year's presentation.

	As previously stated RM	2019	
		Reclassifications RM	As restated RM
Statement of comprehensive income			
Group			
Other income	4,607,992	(403,812)	4,204,180
Other expenses	(9,264,590)	6,556	(9,258,034)
Net gain on impairment of financial instruments	-	397,256	397,256
	(4,656,598)	-	(4,656,598)
Company			
Other income	4,086,456	(403,812)	3,682,644
Other expenses	(5,218,106)	24,914	(5,193,192)
Net gain on impairment of financial instruments	-	378,898	378,898
	(1,131,650)	-	(1,131,650)

The above reclassifications do not have any impact on the earnings for ordinary shares of the Group and of the Company.

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 43 to 117 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 2020 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

Sow Ewe Lee
Director

Bandar Baru Bangi, Selangor

Date: 14 July 2020

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 43 to 117 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 14 July 2020.

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

(Registration No. 199701030038 (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 2020 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 43 to 117.

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 2020 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 17 to 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GENETEC TECHNOLOGY BERHAD
(Registration No. 199701030038 (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 5 to 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 RM5,059,876 as of 31 March 2020. 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 on 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, discount rate and terminal growth rate applied to the cash flow projections in the impairment assessment. We assessed the key estimates and assumptions with reference to internally and externally derived sources and taking into account the CGUs' historical achievements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GENETEC TECHNOLOGY BERHAD

(Registration No. 199701030038 (445537-W))

(Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**Key Audit Matters** (continued)**(ii) Valuation of goodwill** (continued)**How the matter was addressed in our audit** (continued)

Sensitivity analyses were performed across 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 the impairment assessment.

(iii) Valuation of investments in subsidiaries

Refer to Note 6 to the financial statements and Note 1(d)(iv) - impairment of investments in subsidiaries.

The key audit matter

At 31 March 2020, the Company's statement of financial position includes investments in subsidiaries amounted to RM18,346,809. The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment. During the financial year, a subsidiary with an investment's carrying amount of RM18,346,500 which operates in the fabrication of machine parts and toolings industry recorded losses due to lower sales orders received coupled with the outbreak of COVID-19.

Impairment assessment on investment in the subsidiary is considered to be a key audit matter due to the significance of the investment amount to the Company's statement of financial position and of the judgement involved in the assessment of the recoverable amount of the investment by the Company. The recoverable amount was determined based on the value in use of the loss-making subsidiary. The judgemental areas include the future results of the subsidiary and the discount rate applied to the cash flow projections.

How the matter was addressed in our audit

Our audit procedures included, among others, testing of the Company's impairment assessment on the loss-making subsidiary. The recoverable amount of the subsidiary was 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, discount rate and terminal growth rate applied to the cash flow projections in the impairment assessment. We assessed the key estimates and assumptions with reference to internally and externally derived sources and taking into account the subsidiary's historical achievements.

Sensitivity analyses were performed across 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 amount.

We also considered the adequacy of the Company's disclosures in the financial statements in respect of investments in subsidiaries and the impairment assessment.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GENETEC TECHNOLOGY BERHAD

(Registration No. 199701030038 (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 Group and 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 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 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 the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and the Company, the Directors are responsible for assessing the ability of the Group and 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

(Registration No. 199701030038 (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

(Registration No. 199701030038 (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 6 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

Petaling Jaya, Selangor

Date: 14 July 2020

Chan Kah Mun

Approval Number: 03350/01/2022 J

Chartered Accountant

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 2020

No.	Address	Approximate tenure/Year of expiry	Description/ Existing use	Land area/ Built-up area (sq. ft.)	Net book value @ 31.03.2020 (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	10,490	12	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	1,821	15	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	15,001	30	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 2020.

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

The Group has only one (1) ESOS in existence during the financial year ended 31 March 2020 (FYE 2020) and the said ESOS is governed by the By-Laws approved by the shareholders during the Extraordinary General Meeting held on 5 August 2010. The information in relation to the ESOS is as follows:

	FYE 2020 Options
Outstanding options or shares as at 1 April 2019	1,735,100
Total number of options or shares granted during the year	-
Total number of options or shares exercised during the year	(95,900)
Total number of options or shares forfeited during the year	(3,700)
Outstanding options or shares as at 31 March 2020	1,635,500

Granted to Directors including the Managing Director:

	FYE 2020 Options
Aggregate options or shares granted during the year	-
Aggregate options or shares exercised during the year	-
Aggregate options or shares outstanding as at 31 March 2020	1,030,000

Granted to Directors and Senior Management:

	During the FYE 2020	Since the commencement of the ESOS up to FYE 2020
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 2020.

ADDITIONAL COMPLIANCE INFORMATION

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

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

Name of Director	Outstanding as at 1 April 2019	Exercised	Outstanding as at 31 March 2020
Hew Voon Foo	-	-	-
Teh Kim Seng	-	-	-
Chen Khai Voon*	100,000	-	100,000
Total	100,000	-	100,000

* Resigned on 23 June 2020

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 Group and by the Company 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 2020 were as follows:

	Related Parties	Relationship with Genetec Group	Nature of Transactions with Genetec Group	Amount (RM)
1.	CLT Engineering Sdn Bhd (" CLT ")	<p>Tan Moon Teik is a Director of Genetec. He is also a Director and Major Shareholder of CLT</p> <p>Chin Kem Weng is a Director of Genetec. He is also a Director and indirect Major Shareholder of CLT (via his shareholding in Genetec)</p>	Purchase of fabrication parts	178,089
2.	KVC Industrial Supplies Sdn Bhd (" KVC ")	<p>* Chen Khai Voon is a Director and an indirect Major Shareholder of Genetec (via his shareholdings in KVC Corporation Sdn. Bhd. ("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.)</p> <p>KVC Corp is a Major Shareholder of Genetec and also an indirect Major Shareholder of KVC (via its shareholdings in KVC Properties Sdn. Bhd.)</p>	Purchase of industrial products	472,899
3.	TSA Industries Sdn Bhd (" TSA ")	<p>* 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.)</p> <p>KVC Corp is a Major Shareholder of Genetec and also an indirect Major Shareholder of TSA (via its shareholdings in KVC Properties Sdn. Bhd.)</p>	Purchase of industrial hardware	28,192

* Resigned as Director of Genetec on 23 June 2020

ANALYSIS OF SHAREHOLDINGS

As at 26 June 2020

Total number of issued shares : 42,556,300
 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	152	10.64	5,340	0.01
100 – 1,000	319	22.34	210,459	0.50
1,001 – 10,000	695	48.67	3,077,690	7.23
10,001 – 100,000	214	14.99	6,823,990	16.04
100,001 – 2,127,814 (*)	45	3.15	21,874,716	51.40
2,127,815 and above (**)	3	0.21	10,564,105	24.82
Total	1,428	100.00	42,556,300	100.00

Remarks : * Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

Name	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
KVC Corporation Sdn Bhd	4,564,000	10.72	-	-
Chin Kem Weng	3,652,505	8.58	-	-
Chen Khai Voon	2,174,500	5.11	4,564,000 *	10.72
Tan Moon Teik	2,347,600	5.52	-	-

Note:

* Deemed interested through KVC Corporation Sdn Bhd

ANALYSIS OF SHAREHOLDINGS

As at 26 June 2020

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

Name	Direct Interest		Indirect Interest	
	No. of Shares Held	%	No. of Shares Held	%
Chin Kem Weng	3,652,505	8.58	-	-
Hew Voon Foo	100,000	0.23	-	-
Tan Moon Teik	2,347,600	5.52	-	-
Teh Kim Seng	100,000	0.23	-	-
Sow Ewe Lee	200,000	0.47	-	-

Employees' Share Option Scheme

Name	No. of Options	%
Chin Kem Weng	380,000	0.89
Hew Voon Foo	-	-
Tan Moon Teik	350,000	0.82
Teh Kim Seng	-	-
Sow Ewe Lee	200,000	0.47

ANALYSIS OF SHAREHOLDINGS

As at 26 June 2020

30 LARGEST SHAREHOLDERS

Name	No. of Shares Held	Percentage (%)
1 KVC CORPORATION SDN BHD	4,564,000	10.72
2 CHIN KEM WENG	3,652,505	8.58
3 TAN MOON TEIK	2,347,600	5.52
4 LIM KONG JOO	2,111,000	4.96
5 SA CHEE PENG	2,082,000	4.89
6 RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)</i>	2,000,000	4.70
7 SIEW MUN WAI	1,616,000	3.80
8 RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEN KHAI VOON</i>	1,384,500	3.25
9 CHIN LEE HEONG	1,326,200	3.12
10 PUBLIC INVEST NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)</i>	802,000	1.88
11 CHEN KHAI VOON	790,000	1.86
12 LEONG KAH KONG	582,000	1.37
13 MAYBANK SECURITIES NOMINEES (ASING) SDN BHD <i>MAYBANK KIM ENG SECURITIES PTE LTD FOR MAYBANK KIM ENG SECURITIES (THAILAND) PCL (A/C RETAIL)</i>	522,900	1.23
14 MAYBANK SECURITIES NOMINEES (ASING) SDN BHD <i>MAYBANK KIM ENG SECURITIES PTE LTD FOR THANA RATNAUBONCHAI</i>	514,500	1.21
15 CHIN LING CHEE	471,300	1.11
16 CHIN KIT SEN	427,000	1.00
17 CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR FU MUN FEI (PB)</i>	345,000	0.81
18 EER YOKE CHIN	333,400	0.78
19 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN POW CHOO @ WONG SENG ENG</i>	330,070	0.78
20 ONG PHOE BE	310,200	0.73
21 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAI CHIE KING</i>	310,000	0.73
22 LOO WEE KIN	296,900	0.70
23 TEH BENG AI	292,000	0.69
24 TEE LEE CHEN	288,801	0.68
25 LEE HOCK HENG	271,000	0.64
26 LIM GHEE TATT	270,000	0.63
27 O PAU KIANG	270,000	0.63
28 GOH YIK YONG	267,000	0.63
29 CHIN CHENG AUN	260,000	0.61
30 ALLEN LIK-HOOK TING	252,000	0.59
Total	29,289,876	68.83

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting ("22nd 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 Thursday, 27 August 2020 at 9.30 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 March 2020 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 RM168,000 payable to the Non-Executive Directors of the Company for the financial year ending 31 March 2021. **Ordinary Resolution 1**
(Please refer to Explanatory Note 2)
3. To re-elect the following Directors who are due to retire pursuant to Clause 105 of the Company's Constitution and being eligible, have offered themselves for re-election:-
 - (i) Chin Kem Weng **Ordinary Resolution 2**
 - (ii) Hew Voon Foo **Ordinary Resolution 3**
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 4**

AS SPECIAL BUSINESS:

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

5. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR - HEW VOON FOO** **Ordinary Resolution 5**
(Please refer to Explanatory Note 3)

"THAT, subject to the passing of Ordinary Resolution 3, 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 be retained to continue to act as an Independent Non-Executive Director of the Company."
6. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR - TEH KIM SENG** **Ordinary Resolution 6**
(Please refer to Explanatory Note 3)

"THAT Teh Kim Seng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be retained to continue to act as an Independent Non-Executive Director of the Company."

NOTICE OF ANNUAL GENERAL MEETING

7. **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 Act"), the Constitution of the Company, the ACE Market Listing Requirements 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 Act 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,

from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever as may be determined by the Directors of the Company to be in the interest of the Company provided always 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 (excluding treasury shares) of the Company for the time being AND THAT 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 ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier; but an approval may be revoked or varied at any time by a resolution passed by shareholders of the Company in general meeting.

AND THAT the Directors of the Company be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the ACE Market of Bursa Securities AND be authorised to do all such acts and things including executing all relevant documents as the Directors may consider expedient or necessary to complete and give full effect to the above mandate."

8. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

Ordinary Resolution 8

(Please refer to Explanatory Note 5)

"THAT, subject to the provisions of the Companies Act 2016 ("the Act"), the Company's Constitution, the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other applicable laws, rules, orders, requirements, regulations and guidelines for the time being in force, the Company be authorised, to the fullest extent permitted by law, 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 such terms and conditions as the Directors may deem fit and expedient in the interest of the Company ("Proposed Share Buy-Back") 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 fund to be allocated by the Company for the purpose of purchasing such number of ordinary shares of the Company shall not exceed the total retained earnings of the Company, upon such terms and conditions as set out in the Statement/Circular to Shareholders date 27 July 2020.

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the 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 was 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;
 - (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,

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/or any other relevant authorities.

THAT, upon completion of the purchase(s) by the Company of its own ordinary shares, 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 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 authority be given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991), and the entering into of all other agreements, arrangements and guarantee with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Board may in their discretion deem necessary and to do all such acts and things the Directors may deem fit and expedient in the best interest of the Company."

NOTICE OF ANNUAL GENERAL MEETING

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE 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 27 July 2020 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.

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."

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
(SSM PC No. 202008001384)
(MAICSA 7047833)
Company Secretary

Selangor Darul Ehsan
27 July 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the forthcoming 22nd AGM, the Company shall be requesting a Record of Depositors as at 21 August 2020. 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.
2. A member of the Company entitled to attend, speak and vote at the meeting shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote in his stead. A proxy must be 18 years and above, and may but need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless the member specifies the proportion of the member's shareholdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. 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 but the proportion of holdings to be represented by each proxy must be specified.
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 its 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 as follows, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid:
 - (a) Deposit Hardcopy of Proxy Form

To the Company's Share Registrar 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, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - (b) Deposit of Proxy Form Electronically

To Tricor Investor & Issuing House Services Sdn Bhd ("TIIH Online") at <https://tiih.online>. For further information on the electronic lodgement of Proxy Form, kindly refer to the Administrative Guide.
 - (c) The above Proxy Forms must be deposited accordingly latest by Tuesday, 25 August 2020 by 9.30 a.m.
7. 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.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes to the Agenda:

1. Audited Financial Statements and Reports

Agenda 1 is meant for discussion only as the audited financial statements and reports are laid in accordance the provision of Section 340(1)(a) of the Companies Act 2016 and they do not require shareholders' approval. 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 2021 ("FY2021") be maintained as the previous financial year for each Non-Executive Director. Followed by the resignation of a non-executive director, the proposed Directors' fees for FY2021 is RM168,000 (FY2020 : RM240,000).

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 Independent Non-Executive Directors of the Company

The proposed Ordinary Resolution 5 and 6, if passed, will allow the named Directors to continue to hold office as Independent Non-Executive Directors of the Company.

In line with the Malaysian Code on Corporate Governance, the Board on the recommendation of the Nomination Committee who has carried out an assessment of the Directors has recommended that Hew Voon Foo and Teh Kim Seng who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years be retained and continue to act as Independent Non-Executive Directors of the Company based on the following justifications as well as their contribution, as members of the Board and also Board Committees:-

- (a) They have fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (b) They have relevant experience, expertise and competencies in serving the Board and remains objective in expressing their views and participating in deliberations and decision making of the Board and Board Committees.
- (c) They have in-depth knowledge of the Company's business operations and they are committed to devote sufficient time and efforts to the Company.
- (d) They have exercised due care in all undertakings of the Company and have acted and carried out their fiduciary duties in the interest of the Company during their tenure as Independent Directors.

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.

The Company has been granted a general authority by its shareholders at the last AGM held on 28 August 2019 and it will lapse at the conclusion of the 22nd AGM. As of 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.

NOTICE OF ANNUAL GENERAL MEETING

5. **Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution 8, if passed, will empower the Directors to purchase the Company's own shares through Bursa Malaysia Securities Berhad up to 10% of the total number of issued shares of the Company. Please refer to Part A of the Statement/Circular to Shareholders dated 27 July 2020, which is accessible online on the Company's website at www.genetec.net, for detailed information.

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

The Ordinary Resolution 9, if passed, will give a mandate to the Group to enter into recurrent related party transactions of a revenue and/or trading nature pursuant to the Rule 10.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to Part B of the Statement/Circular to Shareholders dated 27 July 2020, which is accessible online on the Company's website at www.genetec.net, for detailed information.

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 of the date of this Notice, there is no individual is seeking election as a Director of the Company at the 22nd 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 22nd AGM.

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Genetec Technology

PROXY FORM

(To be completed in block letters)

No. of shares held	
--------------------	--

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 [Registration No. 199701030038 (445537-W)] (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-Second Annual General Meeting ("22nd 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 Thursday, 27 August 2020 at 9.30 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 2021		
2	To re-elect Chin Kem Weng as Director		
3	To re-elect Hew Voon Foo as Director		
4	To re-appoint Messrs KPMG PLT as Auditors for the ensuing year and to authorise the Directors to fix their remuneration		
5	To retain Hew Voon Foo as an Independent Non-Executive Director		
6	To retain Teh Kim Seng as an Independent Non-Executive Director		
7	To empower the Directors to issue and allot shares		
8	To approve the Proposed Renewal of Share Buy-Back Authority		
9	To approve the Proposed Renewal of Shareholders' Mandate		

(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 _____ 2020

Signature of Member(s) / Common Seal

Tel No. (During office hours): _____

Notes:

- For the purpose of determining a member who shall be entitled to attend, speak and vote at the forthcoming 22nd AGM, the Company shall be requesting a Record of Depositors as at 21 August 2020. 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.
- A member of the Company entitled to attend, speak and vote at the meeting shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote in his stead. A proxy must be 18 years and above, and may but need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless the member specifies the proportion of the member's shareholdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint more than one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 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 but the proportion of holdings to be represented by each proxy must be specified.
- 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 its officer or attorney of the corporation duly authorised in writing.
- 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 as follows, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid:
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 - Deposit of Proxy Form Electronically
To Tricor Investor & Issuing House Services Sdn Bhd ("TIH Online") at <https://tih.online>. For further information on the electronic lodgement of Proxy Form, kindly refer to the Administrative Guide.
 - The above Proxy Forms must be deposited accordingly latest by Tuesday, 25 August 2020 by 9.30 a.m.
- 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.
- Any alteration in this form must be initialed.

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AFFIX
STAMP

GENETEC TECHNOLOGY BERHAD
Registration No. 199701030038 (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
Registration No. 199701030038 (445537-W)
(Incorporated In Malaysia)

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