REACHING **BEYOND**

Globetronics Technology Bhd.

Registration No. 199601037932 (410285-W)

ANNUAL REPORT **2019**

Vision

To be the global business partner of choice in niche products and services.

Mission

To deliver continuous growth and breakthroughs in business performance with total customer satisfaction.

Belief

- **P**eople are our greatest asset
- **R**esults-oriented with customer satisfaction
- **O**rganizational agility
- **F**ocus on corporate excellence
- **I**ntegrity at all times
- **T**eam-based approach

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Corporate Information

Board of Directors

Mr. Michael Ng Kweng Chong
(Founder and Executive Chairman)

Dato' Heng Huck Lee
(Chief Executive Officer)

Dato' Syed Mohamad Bin Syed Murtaza

Dato' Norhalim Bin Yunus

Dato' Iskandar Mizal bin Mahmood

Mr. Yeow Teck Chai

Mr. Ng Kok Khuan

Ms. Lam Voon Kean

Ms. Ong Huey Min

Audit and Risk Management Committee

Chairman

Dato' Syed Mohamad Bin Syed Murtaza

Members

Ms. Lam Voon Kean

Ms. Ong Huey Min

Secretaries

Lee Peng Loon (MACS 01258)

P'ng Chiew Keem (MAICSA 7026443)

Registered Office

51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
T (604) 210 8833 / F (604) 210 8831

Share Registrars

Agriteum Share Registration Services Sdn Bhd
2nd Floor, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
T (604) 228 2321 / F (604) 227 2391

Auditors

KPMG PLT
Chartered Accountants

Principal Financial Institutions

Citibank Berhad
OCBC Bank (Malaysia) Berhad
CIMB Bank Berhad
AmBank Berhad
HSBC Bank Malaysia Berhad
Public Bank Berhad

Principal Solicitor

Ghazi & Lim

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Stock Code: 7022

Group Corporate Structure

Globetronics Technology Bhd.
Registration No. 199601037932 (410285-W)

100% **Globetronics Sdn Bhd**
Assembly and Testing of Integrated Circuits ("IC"), Optoelectronic Products and Technical Plating Services

100% **ISO Technology Sdn Bhd**
Manufacturing of Small Outline Components, Light-Emitting-Diode ("LED") Components and Modules and Technical Plating Services for the Semiconductor Industry

100% **Globetronics (KL) Sdn Bhd ("GKL")**
Assembly and Testing of Plastic Moulded and Ceramic Chip Carrier Quartz Crystal Timing Devices. During the financial year, GKL temporarily ceased its operation.

100% **Globetronics Manufacturing Sdn Bhd**
Development and Assembly of Sensors and Optical Products for Smart Mobile and Wearable Application

100% **Globetronics International Incorporated**
Investment Holding
-100% Globetronics (HK) Limited
Trading of Electronics/ Semiconductor Components

100% **Globetronics Medical Technology Sdn Bhd**
Provision of Computer Hardware and Software, System Solutions and Consultations

100% **Globetronics Industries Sdn Bhd**
Dormant

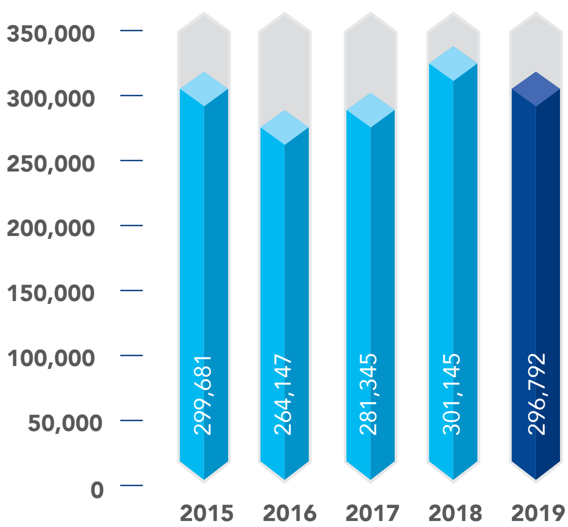
49% **NGK Globetronics Technology Sdn Bhd**
Advanced Ceramic Piece-Parts Manufacturing

100% **Trilion Suntech Sdn Bhd**
Dormant

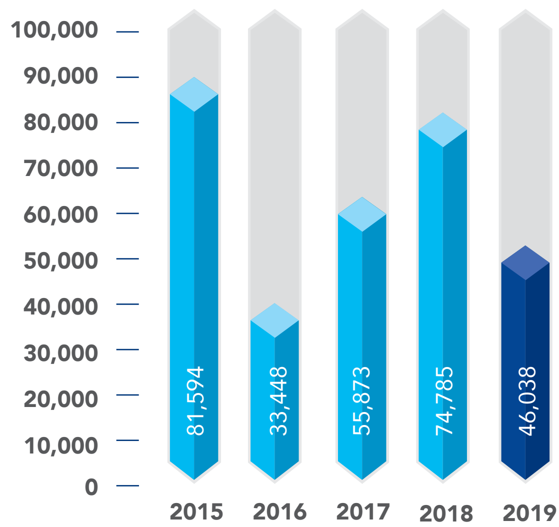
Financial Highlights

Year Ended 31 December	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Turnover	343,655	215,346	304,558	327,956	216,316
Profit Before Taxation	81,594	33,448	55,873	74,785	46,038
Profit After Taxation	71,314	25,721	51,147	70,117	44,714
Profit Attributable to Shareholders	71,314	25,721	51,147	70,117	44,714
As at 31 December					
Total Assets Employed	357,418	310,414	397,143	376,069	337,777
Shareholders' Funds	299,681	264,147	281,345	301,145	296,792
Net Earnings Per Share* (Sen)	10.86	3.91	7.72	10.50	6.68
Net Tangible Assets Per Share* (RM)	0.45	0.40	0.42	0.45	0.44

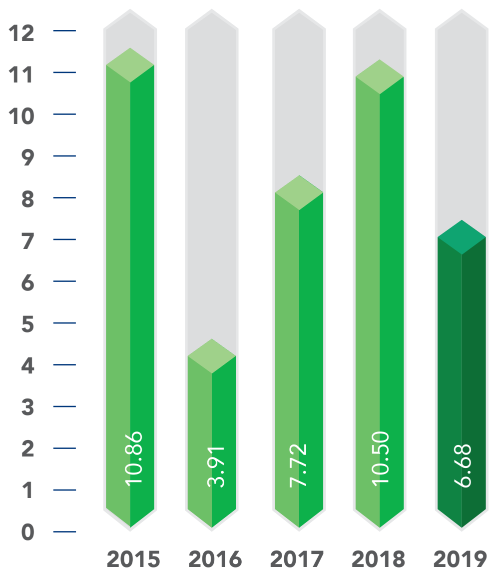
* The comparative figures for Net Earnings Per Share and Net Tangible Assets Per Share have been restated to reflect the adjustment arising from the Subdivision and Bonus Issue completed in financial year 2018.



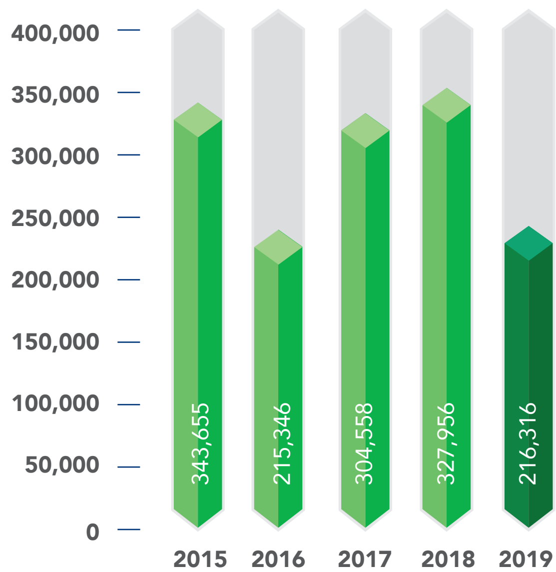
Shareholders' Funds (RM'000)



Profit Before Taxation (RM'000)

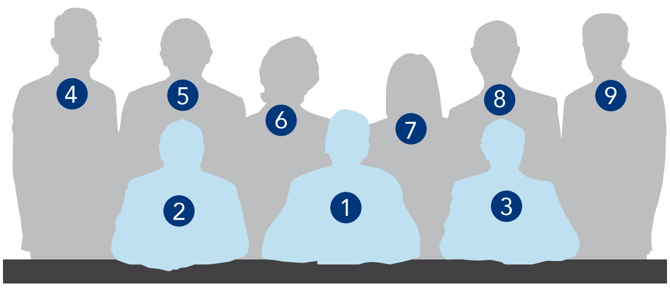


Net Earnings Per Share* (Sen)



Turnover (RM'000)

Board of Directors



Front row

1. **Mr. Michael Ng Kweng Chong**
   Founder and Executive Chairman

2. **Dato' Heng Huck Lee**
   Chief Executive Officer

3. **Dato' Syed Mohamad Bin Syed Murtaza**

Top row

4. **Dato' Iskandar Mizal Bin Mahmood**
5. **Dato' Norhalim Bin Yunus**
6. **Ms. Ong Huey Min**
7. **Ms. Lam Voon Kean**
8. **Mr. Yeow Teck Chai**
9. **Mr. Ng Kok Khuan**

Profile of Directors

Mr. Michael Ng Kweng Chong

Aged 72, Male, Malaysian
Non-Independent Executive Director of Globetronics Technology Bhd. ("GTB")

Director since 5 August 1997
Executive Chairman and
Chief Executive Officer since 19 May 1998
Founder and Executive Chairman since 3 January 2008

Mr. Michael Ng is currently the Founder and Executive Chairman of GTB. He was the original founder of Globetronics Sdn Bhd ("GSB") in 1991. He nurtured the Company from an initial paid-up capital of RM3 million 28 years ago and led the Company to a successful IPO in 1997. Today, Globetronics has grown to become a company listed on the Main Market of Bursa Malaysia Securities Berhad with nine subsidiaries and one associated company with a paid up capital of more than RM180 million.

Mr. Michael Ng graduated from the University of London in 1972 with an Honours Degree in Mechanical Engineering. He has earned many certifications and recognition in the areas of technical, management and business developments and expertise in the High Technology Semiconductor manufacturing arena.

In his 18 successful years working for Intel Technology Sdn Bhd, Michael Ng grew rapidly from an Engineer in 1972 to various senior management positions within Intel Penang, the Asia Pacific and the US. Of significance were the senior management positions spanning 1 year in Intel US, 2 years each for the Far East Automotives' Business Group and the Asia Pacific Quality Support Group covering South Korea, Taiwan, Hong Kong, Singapore and Malaysia.

He attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Mr. Michael Ng is the uncle of Mr. Ng Kok Khuan who is a director of GTB. He has no conflict of interest in any business arrangement involving the Company.

Profile of Directors (cont'd)

Dato' Heng Huck Lee

Aged 63, Male, Malaysian
Non-Independent Executive Director of GTB

Director since 10 November 1997
Chief Operating Officer ("COO") since 25 May 1998
Chief Executive Officer ("CEO") since 3 January 2008

He graduated with a Bachelor of Applied Science (Honours) majoring in Computer and Electronic Technology from University Sains Malaysia ("USM") in 1982. He also obtained a Master in Business Administration from East Asia University in 1991. His past working experience includes a 10-years operations/management position with Intel Technology Sdn Bhd, one of the world's largest semiconductor manufacturer. He also has more than 5 years working experience as a Group General Manager with Shinca Sdn Bhd, an Original Equipment Manufacturer/ subcontract manufacturer for a wide range of electronics and computer products from 1991 to 1997.

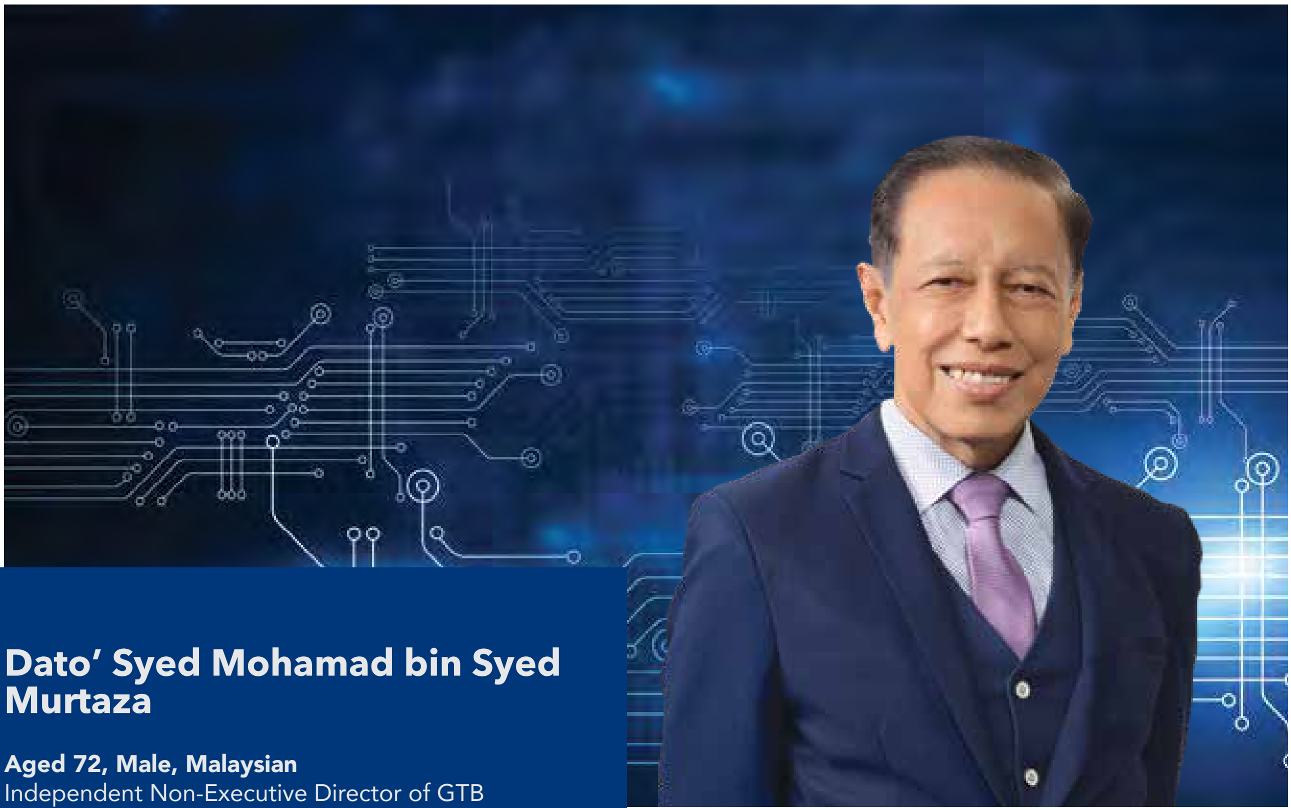
Dato' Heng was the President of Frepenca (The Free Industrial Zone, Penang, Companies Association) from 2011 to 2015.

Dato' Heng is also a committee member of Malaysian Investment Development Authority's ("MIDA"), Electronics & Electrical ("E&E") Strategic Council, Frepenca, Penang Strategic Investment Advisory Council ("PSIAC") and Universiti Tunku Abdul Rahman ("UTAR") Industrial Advisor, Faculty of Business and Finance.

He attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Dato' Heng Huck Lee does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Profile of Directors (cont'd)



Dato' Syed Mohamad bin Syed Murtaza

Aged 72, Male, Malaysian
Independent Non-Executive Director of GTB

Director since 18 May 2011

Dato' Syed has over 49 years of vast experience in the business, corporate and entrepreneurial exposures. After completing his education at Penang Free School, he joined Kah Motors and has since been appointed to several key positions in various business and non-business organizations both locally and internationally. He has served in reputable Multinational Companies ("MNCs") such as Shell Malaysia and was the Chairman of Penang Port Commission. He was the former Chairman of DRB HICOM Berhad and former President of The Federation of Asia Motorcycle Industries and International Motorcycle Manufacturers Association. Dato' Syed is experienced in a diverse range of businesses from automotive and manufacturing to exports, trading, property and oil and gas.

He is the Chairman of Audit and Risk Management Committee, a member of Nomination Committee and was a member of Employee Share Options Scheme ("ESOS") until 11 August 2019. He currently sits on the boards of Master-Pack Group Berhad (Executive Chairman), Yayasan Bumiputra Pulau Pinang Berhad, MITTAS Berhad, Boon Siew Credit Berhad, Penang Tourists Centre Berhad, Tourism Entrepreneur Centre Berhad, PBA Holdings Berhad and several private limited companies such as Armstrong Auto Parts Sdn. Bhd., Penang Port Sdn. Bhd., and Usains Holdings Sdn. Bhd., the corporate arm for Universiti Sains Malaysia. He is also the Executive Chairman of USIM Tijarah Holding Sdn. Bhd., the corporate arm of Universiti Sains Islam Malaysia.

He also heads Penang Tourist Centre Berhad, MITTAS Berhad, and is the Advisor of Motorcycle, Scooter Assembly & Distributor Association of Malaysia.

He attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Dato' Syed does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Profile of Directors (cont'd)

Ms. Lam Voon Kean

Aged 67, Female, Malaysian
Independent Non-Executive Director of GTB

Director since 15 May 2013

She is a member of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA"). She joined KPMG Penang in year 1974 as an articled student and qualified as a Certified Public Accountant in 1981. She was one of the senior audit managers of KPMG Penang and acted as the engagement manager for various audit engagements and also for assignments relating to the listing of shares on the Malaysian Stock Exchange and was involved in the review and preparation of profit and cash flow forecasts and projections. She left KPMG Penang and joined M&C Services Sdn. Bhd. (now known as Boardroom Corporate Services Sdn. Bhd.) in 1994 and was promoted to Executive Director managing a suite of business solutions and services for public listed companies, private companies and branches of multi-national companies. She was promoted to Managing Director of Boardroom Corporate Services Sdn. Bhd. ("Boardroom") consequent to an internal restructuring exercise in year 2005 and retired on 31 December 2011. Upon retirement, she accepted a one year contract to act as consultant to Boardroom effective 1 January 2012.

She was the Chairwoman of ESOS Committee until 11 August 2019 and a member of Audit and Risk Management Committee in GTB.

Ms. Lam currently sits on the Board of Asia File Corporation Bhd., RGB International Bhd., Alcom Group Bhd. and Tambun Indah Land Bhd.

She attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Ms. Lam Voon Kean does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Ms. Ong Huey Min

Aged 61, Female, Malaysian
Independent Non-Executive Director of GTB

Director since 23 October 2017

She is a member of MIA, MICPA and Chartered Tax Institute of Malaysia ("CTIM"). She was with KPMG Malaysia for more than 35 years and was a Partner with KPMG and Head of Tax Division of KPMG Penang prior to her retirement on 31 December 2014. She has extensive experience in tax compliance and advisory throughout her career. She was the engagement partner for a wide range of companies which included public listed companies and multinationals in various industries, mainly in manufacturing, property development, construction and hotels. She has advised foreign investors on their initial setting up of operations in Malaysia including on the various tax incentives being promised by the Government. She is currently a partner with YNWA Advisory PLT.

She is a member of the Audit and Risk Management Committee in GTB.

Ms. Ong currently sits on the Board of Pensonic Holdings Bhd.

She attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Ms. Ong Huey Min does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Profile of Directors (cont'd)

Dato' Iskandar Mizal bin Mahmood

Aged 54, Male, Malaysian
Independent Non-Executive Director of GTB

Director since 16 May 2012

Dato' Iskandar graduated from Boston University, USA in 1989 with a Bachelor of Science Degree in Business Administration majoring in Accountancy.

He has 31 years' experience with multitude of companies ranging from multinationals to government linked companies and spanning from investment banking to technology sectors at all levels from hands-on operations to leadership.

Currently, Dato Iskandar is the Group Executive Director of Media Prima Berhad and the Chairman of the Board of Theta Edge Berhad, a public listed company.

Dato' Iskandar started his career with an international audit firm Arthur Andersen & Co in 1989. He moved into merchant and investment banking serving Bumiputra Merchant Bankers Berhad and Commerce International Merchant Bankers Berhad (now known as CIMB Group). He joined Malaysia Airports Holdings Berhad ("MAHB") in 1999 to undertake the Initial Public Offering and Listing of MAHB on Bursa Malaysia and assumed other responsibilities such as Corporate Finance, Strategic Planning, Business Development and Investor Relations.

In 2003, Ministry of Finance Malaysia and Khazanah Nasional Berhad ("Khazanah") appointed him to helm the leadership of Malaysian Technology Development Corporation ("MTDC"). He was later appointed in 2005 to helm the leadership of Malaysian Biotechnology Corporation Sdn Bhd, one of the Government of Malaysia's key technology initiatives at that time.

He then ventured into the private education sector in 2011 by partnering with Manipal Education Global of India to set up Manipal International University in Malaysia. He also served as the Group CEO of Pos Malaysia Berhad in 2013 before taking on the role of Managing Partner and Director of a renowned local consulting firm, Ethos Consulting. He was the Group CEO of Granatum Ventures Sdn. Bhd., a wholly-owned subsidiary of Khazanah from 3 April 2017 to 31 January 2019 where he successfully turned around the operations of Khazanah's creative and media portfolio.

He also served as a member of Lembaga Tabung Haji Investment Panel from 1 November 2016 to 29 August 2018.

He is the Chairman of Nomination Committee and a member of the Remuneration Committee in GTB.

He attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Dato' Iskandar does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Dato' Norhalim bin Yunus

Aged 57, Male, Malaysian
Non-Independent Non-Executive Director of GTB

Director since 18 July 2008

Dato' Norhalim is the CEO of MTDC, a wholly owned subsidiary of Khazanah, the investment arm of the Malaysian Government.

Dato' Norhalim has been the CEO of MTDC since June 2008 and has extensive experience in early stage technology ventures, the commercialisation of public sector universities' research results and venture fund management. He has had the opportunity to be exposed to a wide range of technology ventures through his involvement in various funding initiatives. As one of the pioneer staff of MTDC, Dato' Norhalim has wide ranging experience in the field of technology development and investment. MTDC has through the years funded projects in ICT, electronics, biotechnology and advanced material both in Malaysia and globally. He has represented MTDC on the board of several technology companies in Malaysia and The United States. Dato' Norhalim is a graduate of Universiti Kebangsaan Malaysia.

He is a member of the Remuneration Committee of GTB.

Dato' Norhalim currently sits on the Board of Bioalpha Holdings Bhd.

He attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Dato' Norhalim does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Profile of Directors (cont'd)

Mr. Yeow Teck Chai

Aged 69, Male, Malaysian
Independent Non-Executive Director

Director since 16 May 2012

Mr. Yeow holds a Bachelor of Economics (Hons) degree from the University of Malaya. Mr. Yeow served the Malaysian Investment Development Authority ("MIDA") for 32 years and held the post of Deputy Director General prior to his retirement in August, 2006.

During his term in MIDA, he has accumulated invaluable experience in drawing up and implementing industrial strategies in attracting Foreign Direct Investment ("FDI") into Malaysia and promoting domestic investment within the country. He participated in innumerable trade and investment missions overseas and attended and spoke in many international business conferences.

He is the Chairman of the Remuneration Committee and a member of the Nomination Committee in GTB.

Mr. Yeow acts as Business Advisor to numerous companies in Malaysia and overseas.

He attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Mr. Yeow Teck Chai does not have any family relationship with any director and/or major shareholder of GTB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Ng Kok Khuan

Aged 69, Male, Malaysian
Non-Independent Non-Executive Director of GTB

Director since 19 May 1998

He graduated with a Diploma of Business Studies in 1975 from Australia and is a member of MIA.

From 1976 to 1977 he was employed as the Internal Auditor of Central Finance Berhad. In 1978 he was appointed as the Company Secretary of General Produce Agency Sdn Bhd and he has held the position since then.

He was a member of the ESOS Committee of GTB until 11 August 2019.

He attended all 5 Board Meetings held during the financial year ended 31 December 2019.

Mr. Ng Kok Khuan is the nephew of Mr. Michael Ng, who is a director and major shareholder of GTB.

He has no conflict of interest in any business arrangement involving the Company.

Additional information:
None of the Directors has:
(i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
(ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

Profile of Key Senior Management

Front row ***(From Left) Dato' Heng Huck Lee, Mr. Michael Ng Kweng Chong***
Top row ***(From Left) Mr. Ng Kok Choon, Ms. Choong Lai Kwan, Ms. Heng Charng Yee, Mr. Ng Kok Yu***

Mr. Michael Ng Kweng Chong

Aged 72, Male, Malaysian
Founder and Executive Chairman

Mr. Michael Ng Kweng Chong is a Non-Independent Executive Director of GTB. He was appointed to the Board of GTB on 5 August 1997.

His profile is listed in the Profile of Directors on page 6.

Dato' Heng Huck Lee

Aged 63, Male, Malaysian
Chief Executive Officer

Dato' Heng Huck Lee is a Non-Independent Executive Director of GTB. He was appointed to the Board of GTB on 10 November 1997.

His profile is listed in the Profile of Directors on page 7.

Profile of Key Senior Management (cont'd)

Mr. Ng Kok Choon

Aged 54, Male, Malaysian
Chief Financial Officer

Mr. Ng Kok Choon graduated with a Bachelor of Commerce (Accounting) degree from University of New South Wales, Australia.

He joined KPMG Penang in 1989 and qualified as a Certified Practicing Accountant (Australia) and Chartered Accountant with MIA.

He joined GSB in January 1996 as an Accountant and worked his way to be the Chief Financial Officer of GTB in July 2006.

He currently sits on the board of all the subsidiaries and an associated company of GTB.

Mr. Ng Kok Choon is the nephew of Mr Michael Ng and cousin of Mr. Ng Kok Khuan who are the directors of GTB.

He has no conflict of interest in any business arrangement involving the Company.

Ms. Heng Charng Yee

Aged 36, Female, Malaysian
Vice President of Business and Operations

Ms. Heng Charng Yee graduated with a Degree in Engineering (Major in Electronics) from Multimedia University, Malaysia.

She started her career with Tyco Fire and Security in Malaysia as an Asia Management Trainee in September 2007. Her career in Tyco Fire and Security expanded to roles in Project Management, Regional Business Operations and Operational Excellence and Strategic business expansion in Malaysia, Singapore and Shanghai.

She joined Globetronics Manufacturing Sdn Bhd ("GMSB") in 2013 as a Quality and Strategic Business Manager in charge of overseeing quality across GSB and GMSB as well as development of strategic projects. She was appointed as Business and Operations Senior Director in July 2016 and subsequently appointed as Vice President of Business and Operations in January 2018.

Ms. Heng Charng Yee is the daughter of Dato' Heng Huck Lee, who is a director of GTB. She has no conflict of interest in any business arrangement involving the Company.

Ms. Choong Lai Kwan

Aged 51, Female, Malaysian
Financial Controller

Ms. Choong Lai Kwan graduated with Bachelor of Accounting Degree from University Utara Malaysia and qualified as a Chartered Accountant with MIA.

She started her career with Dynacraft Industries Sdn Bhd and Coopers and Lybrand in 1994. She joined GSB in 1995 as Finance Officer and was appointed as the Financial Controller of ISO Technology Sdn Bhd (one of the subsidiaries of GTB) in July 2016.

Ms. Choong Lai Kwan does not have any family relationship with any director and/or major shareholder of GTB. She has no conflict of interest in any business arrangement involving the Company.

Mr. Ng Kok Yu

Aged 44, Male, Malaysian
Corporate Director

Mr. Ng Kok Yu graduated with a Bachelor of Science degree in Finance from Arizona State University.

He started his career with GSB in April 1999 as a Corporate Planning Officer in charge of treasury functions and investment holding companies of the Group. He was appointed as the Corporate Director of GTB in July 2016, in charge of merger and acquisition ("M&A") opportunities, legal review as well as handling of investor relations with the investment community.

Mr. Ng Kok Yu is the son of Mr. Michael Ng and cousin of Mr. Ng Kok Khuan, who are the directors of GTB. He has no conflict of interest in any business arrangement involving the Company.

Additional information:
None of the Key Senior Management has:
(i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
(ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

Founder and Executive Chairman's Message

"We continue our success as a key supplier and co-development business partner to our world-renowned customer."

Our Group began Financial Year ("FY") 2019 with a severe handicap as the result of the unrelenting US-China trade war which inflicted a heavy toll to most of the Group's key customers resulting in significant collateral damages to the Group's businesses and financial results throughout the first-half of the year. However, much brighter business prospects quickly manifested themselves throughout the second half of FY2019 as pent-up demands in the first-half started to overtake supply thus triggering the long-awaited business recovery for the Group in the second half of FY2019.

Our Group under the most outstanding leadership and unmatchable business acumen of our CEO (Dato' Heng Huck Lee) with strong partnership from our Vice President ("VP") of Business and Operations, dedicated their hearts-and-souls into role modelling, leading, guiding, grooming and motivating our entire workforce through the year-long-7x24-weeks to achieve miraculous breakthroughs and accomplishments in the midst of extreme swings in demands and challenges.

As a result of Globetronics successfully developing and ramping new sensors that were designed-in by our end customer as standard features in our customer's new smart-phone and wireless earphones, we continue our success as a key supplier and co-development business partner to our world-renowned customer. We have also been delivering total customer satisfaction in quality and delivery despite the volatile product loadings as well as supply chain disruptions arising from the trade war. Excellent recognition needs to be paid to our Group's solid and committed teams which have been proactively and creatively converting, modifying and requalifying many of our invested tools to cater for all product-mix changes in our production schedules, thus helping to bring our Group's FY2019 new capital expenditure ("CAPEX") to a minimum level of approximately RM12 million and yet in full support of all FY2019's manufacturing/operational needs.

Our Group closed FY2019 with revenue of RM216 million and a net profit of RM44.7 million, which represented a 34% and 36% drop respectively over FY2018 numbers. In appreciation of our shareholders' loyal support, our Group made three interim-dividend pay-outs totalling RM50.2 million to shareholders for FY2019 which translates into ≈112% of our Group's net profit of RM44.7 million. Yearend cash-flow position of the Group remained healthy at RM146 million after having repaid USD5 million (RM21 million) of our Group's USD loan for which the final instalment of USD1 million was repaid by January 2020.

In the business sustainability and Environment, Social and Governance ("ESG") front, we pride ourselves as being the pioneer company in Penang's Free Industrial Zone 4 to have installed solar panels fully on top of our buildings in support of our Group's green initiative drives. We also formed strong partnership with Penang's Science, Technology, Engineering and Mathematics ("STEM") Organization by being the main sponsor and partner to them in both the technical and financial arena in its annual events. Our senior management team especially our CEO and VP have also been outstanding promoters and participants serving as panel speakers in pioneering our country's Industry 4.0 initiatives. On the investor relations front, we have partnered well in connecting with > 60 regional and Malaysian investors, leading to improved investors' interest in Gtronic counter with market capitalization (FY2019) standing at approximately RM1.6 billion.

In the midst of various new product start-ups and production ramps, our operations teams have continuously and successfully developed and pursued new co-developmental and diversification businesses including the third-generation light sensors, bio/environment sensors, 5G telecommunication module and etc. We are thus optimistic with the encouraging foundation laid for FY2019 and beyond.

Founder and Executive Chairman's Message (cont'd)

Without any shadow of a doubt, our Group absolutely owe our FY2019's business successes and strong foundation set for FY2020 to our outstanding CEO Dato' Heng and our VP of Business and Operations in leading our entire workforce towards delivering these major accomplishments!!

It is also imperative for me to convey our heartfelt gratitude and sincerest appreciation to all our highly respected Board members for their meticulous guidance, timely support and invaluable motivation provided to our management team through all these past years. Last but not least, on behalf of Globetronics Technology Bhd. and group of companies, I would like to thank each and everyone of our shareholders and stakeholders for your unfailing encouragement and support over the past year and many more years to come.

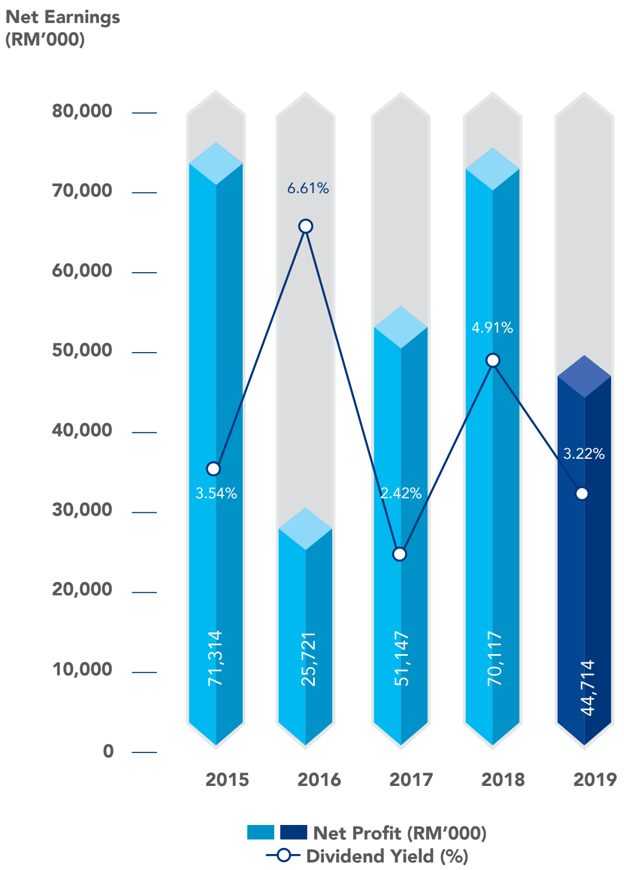
Thank you all once again!!

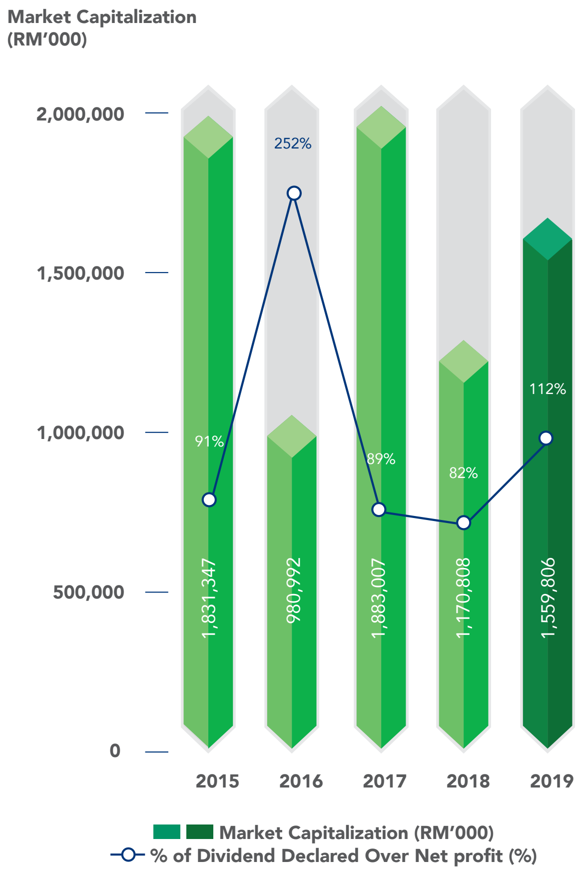
FINANCIALS/DIVIDENDS

Through the meticulous guidance and motivation from our CEO and VP of Business and Operations, our Group's fully committed technical and operations teams worked creatively and dedicatedly in converting, modifying and requalifying many of our invested tools (equipment) to cater for all product-mix changes in our production schedules, thus helping to bring our Group's FY2019 new CAPEX to a minimum level of approximately RM12 million and yet in full support of all FY2019's manufacturing/operational needs.

Such outstanding contributions facilitated in enabling our Group to deliver another set of handsome dividend-payments totaling RM50.2 million (representing 112% payout over net profit) to our loyal shareholders. Notwithstanding the above-mentioned RM62.2 million in cash outflow from CAPEX and dividend payouts for the year, our group still managed to close FY2019 with healthy cash and bank balances of RM146 million.

Details of the dividend payments are as follows:
1. Year 2018's third interim and special dividend of 3 sen per share amounting to RM20.07 million on 26 March 2019;
2. Year 2019's first interim and special dividend of 2 sen per share amounting to RM13.38 million on 2 July 2019; and
3. Year 2019's second interim and special dividend of 2.5 sen per share amounting to RM16.74 million on 4 December 2019.





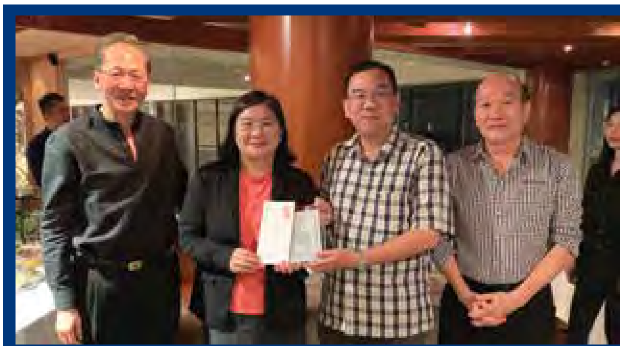
Founder and Executive Chairman's Message (cont'd)

ENVIRONMENTAL, SOCIAL, GOVERNANCE ("ESG") INITIATIVES

On the ESG initiatives, our Group continued to work on modelling our applications after the best of global standards especially along the key areas of environment protection, conservation of natural resources, Corporate Social Responsibilities ("CSR"), etc., all of which are absolutely essential in responsibly protect our earth and natural resources.

By the same token and in line with our business sustainability drive, our Group held firm to our unshakable and uncompromisable mission of making Globetronics a "workplace of choice" for all our employees and visiting personnel through the strict enforcement of our Group's internationally benchmarked Environmental, Health and Safety ("EHS") Committee with reassuring and positive results to show.

Strategic Partnership With Penang STEM
(Science, Technology, Engineering and Mathematics) @ STEM Carnival



Appreciation to Vendors and Employees on New Sensor Business Setup

Supporting the Future Engineer Development Summit

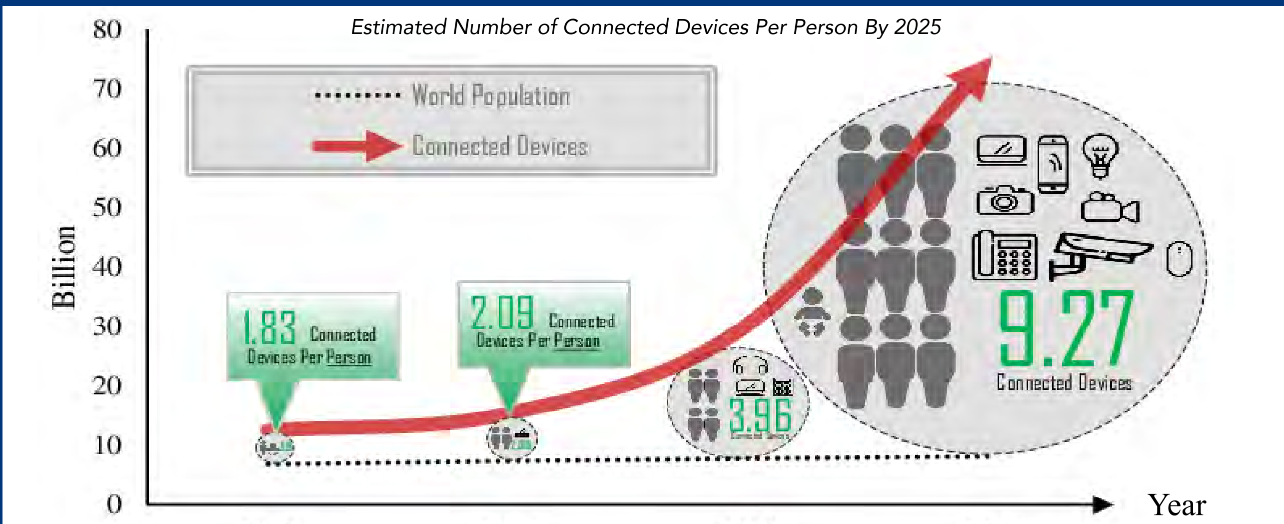
Vice President Heng Charng Yee As Panel Speaker @ MTDC
Technology Conference and Exhibition 2019

PROSPECTS AND OUTLOOK

As we exited FY2019 after scoring a reasonably healthy second-half recovery from the relentless US-China trade-war, the business prospects and outlook for FY2020 continued to look healthy when suddenly, coronavirus outbreak invaded China as an endemic which quickly spread to become an epidemic and then to global pandemic within a couple of months since the start of FY2020. At this time of writing (early March 2020) our world is under a near-complete lockdown in order to control, mitigate and prevent the spread of this new virus known as coronavirus or Covid-19 which has resulted in unprecedented business interruptions globally. Within the technology industry in which we operate in, the supply chain has also been severely impacted with no end in sight at this moment. Given this unfortunate backdrop, it would be a challenge to predict the exact time when the global businesses and the supply chain will return to normal.

In so far as our technology industry is concerned, as the world gets more converged through the impending roll out of 5G, we see more and more devices would be connected via what is commonly known as Internet-of-Things ("IoT") to make life a lot more convenient for the consumers. The way we see it, Globetronics would have a key role to play in this process because as a manufacturer of miniaturize sensors, we anticipate that the ever-increasing applications that are being put into smart devices would continue to drive more sensors per device content going forward.

Founder and Executive Chairman's Message (cont'd)



Source: ResearchGate

IoT and web-connected devices have been around for decades. By the end of 2018 there were around 22 billion internet-connected devices worldwide according to data from Strategy Analytic. Today's mobile devices are each packed with nearly 14 sensors that produce raw data on motion, location and the environment around us. This is made possible by the use of Micro-Electromechanical Systems ("MEMS"). Their number is set to explode in the following years as internet consumption rises and new gadgets and machineries hit the market. IoT will also be integral to civil and industrial infrastructure. It includes devices in every aspect of life like consumer products, fleet and logistics, connected markets, connectivity, etc. Simply put, we cannot evade the technological revolution as connectivity brings far too many benefits for us to neglect. Therefore, it will soon become something as natural as electricity or tap water to us. In other words our future is totally connected!!

As for our Group's own business prospects and outlook - while we continue to fully focus on launching our new generation sensors (light, gesture, motion) for FY2020 which are to be incorporated into the latest smart devices to be launched for mass production in mid-2020, our New-Product-Introduction ("NPI") teams have also been working exemplarily hard and doing an outstanding job in successfully co-developing new products and technologies which are expected to fill our manufacturing pipelines in the near future. Additionally, our NPI teams have also been working in close collaboration with potential customers in the arena of autonomous driving, power chips and healthcare/medical spaces etc, all of which should bring more business opportunities to our Group in FY2020 and beyond.

Now that the Phase-1 trade-deal between the US and China has come to fruition, it should remove some of the uncertainties that businesses have been facing and should lead to increased investment and better flow of goods and services going forward. Riding on China's needs to relocate some of their manufacturing functions offshore to South-East-Asia region to mitigate the 15% tariffs on about USD112 billion of Chinese imports, we anticipate that the spill-over effects of new companies relocating to Asia/Malaysia/Penang will benefit our Group through new business partnerships with these entities.

In conclusion, barring all the unknown impacts caused by the Covid-19 outbreak and the disruptions it may bring to the supply chain for the global technology industry, we are cautiously optimistic that FY2020 would be a better year for our Group based on the current available customers' information and forecast made available to us.

Update on COVID-19

The Covid-19 situation has changed tremendously since the Founder and Executive Chairman's message was written in early March 2020. Since then we have seen the rate of infection spiralling upwards drastically and threatening the orderly functioning of our society with "lockdowns", "stay at home" or "social distancing" implemented globally. These approach have resulted in the collapse of economic activities globally and we have seen various coordinated governmental action with aggressive fiscal and monetary policies to counter this pandemic.

Likewise in Malaysia, our Malaysian government implemented the Movement Control Order ("MCO") since 18th March and this has impacted the Group's operations. The Group has taken a number of measures to minimize the impact of COVID-19 on the business by obtaining approval to run certain critical operations on skeletal crew with supporting staff working from home supporting the operations. In terms of employees' health and safety, the Group ensures that the working crew who consented to support the critical operations strictly comply with the MCO and Health Ministry preventive measures and guidelines implemented by the Group such as regular use of hand sanitizer provided, temperature check, wearing of face mask and social distancing procedures.

During these challenging times, the Group remains committed to our customers in terms of high-quality products and on time delivery. Despite the uncertain outlook for Year 2020, the Group believes that with our operational efficiencies and financial position, we are well positioned to navigate through these challenging times and remain resilient.

Management Discussion and Analysis by the CEO

"Our team continue to achieve success in winning new sensor projects for future smartphone and smart devices."

Financial Year ("FY") 2019 was a challenging year for the Group as the trade war caused tremendous volatility to global trade which in turn also made it very volatile for us in terms of production loading. As a result, we needed to adopt a very prudent and micro-managed approach with a very tight weekly control on human resources, material planning, inventory control and production planning as well as obtaining more real time data in relation to cost control.

The US-China trade war effect was felt most in the matured product lines segment as there were many relocations by companies in China to South East Asia to avoid the tariffs, causing supply chain disruptions along the way and also impacting some of our product loadings as well as material supplies. This volatility and uncertainty challenged us to be more creative with our asset utilization, whereby we managed to modify and requalify our existing equipment to cater for new projects during the year. As a result, we managed to minimize our new CAPEX investment projection of around RM40 million to a very reasonable figure of only RM12 million in FY2019, and helping to preserve our cash resources during this uncertain period. I am glad to report that our solid team had risen to the challenges of these uncertainties and delivered a satisfactory set of financial results for the Group in FY2019, with revenue coming in at RM216 million and net profit of RM44.7 million.

Our team continue to achieve success in winning new sensor projects for future smartphone and smart devices. Three new smart sensors were designed into our customer's smart device and accessories products in FY2019, and continuing to cement our position as a key and reliable supplier to them in consistently delivering good, high quality miniaturized sensors in a timely manner. On top of this, our design and NPI team has continued to work on our developmental pipeline, with breakthroughs seen through sample/prototype/small volume builds of bio sensors and 5G sensors that are expected to go into mass production in Year 2020 and 2021.

GLOBETRONICS SDN BHD/ GLOBETRONICS MANUFACTURING SDN BHD/GLOBETRONICS (HK) LIMITED

Our smart sensors division continue to be the most exciting business unit for the Group, delivering a set of stable performance and contribution for FY2019. Similar to FY2018, we saw a weak Quarter 1 2019 which was a result of the inventory adjustment by our customer. Quarter 2 saw gradual improvement for certain product lines with higher expectations on second half ramp coming from new smartphones being launched in Quarter 3. The impact of the US-China trade war started to be felt in the supply chain as the year progressed, resulting in the actual second half performance being lower than our original forecast.

Due to the perseverance and solid performance of our technical and NPI team, new generation light sensors was successfully qualified for mass production in May 2019 and was one of the key components for the new smart devices for our end customer.

The gesture sensor for the wireless accessories have witnessed another superb growth of >30% during the year, after having shown a similarly strong growth number in FY2018. This is the area where we have optimized our asset allocation from other lines to minimize the capex investment needed to facilitate this growth. Based on the customer indications and market reports on projections, we expect to see further strong upside for the gesture sensors in FY2020, and are expected to incur additional capital expenditure (CAPEX) of RM12 million to prepare for it as we are already operating at maximum capacity.

For existing and matured sensor operations, our newly launched motion sensor shows strong and stable volume. The new wearable product of our end customer is doing well in the market, and we continue to design in new features that is expected to improve the performance of the next generation wearable product for FY2020 and FY2021.

Despite being a challenging year for our other business division due to the volatile external environment, we have managed to secure a next generation optical component that will be designed into the next generation smartphone expected to be launched in Quarter 3, 2020.

Management Discussion and Analysis by the CEO (cont'd)

With the uncertainty of the trade war improving, we are expecting to see a better FY2020. The unforeseen outbreak of Covid-19 is now bringing back the uncertainty that had affected the entire global market for the whole FY2019. It is everyone's hope that Covid-19 which had disrupted global demand and global supply chain will be contained soon.

Barring more uncertainty from Covid-19, we are looking ahead to a better FY2020 based on the current available customers' information and forecast made available to us. The demand across our product lines seem to have stabilized, and we have new products in the pipeline which are expected to drive growth for the year.

GLOBETRONICS (KL) SDN BHD ("GKL")

GKL had to adjust to the new realities after the decision to transfer out some of the matured and high labor intensive product lines back to the customer. The transfer resulted in a substantial drop in volumes from Quarter 4 2018 to Quarter 1 2019, where we had to realign our resources and also to incur some separation costs to our employees. This resulted in excess production space we have to carry in which we are identifying new businesses to backfill.

We have come up stronger after this realignment exercise. GKL would now be a less labor intensive business, with 1-2 new business expected to start production in FY2020 as the first step in this back filling process. These would be some of the new technologies we are targeting to move into higher value added segments for our Group. With the new activities that have been set up, we are growing more positive for the prospects of GKL in the near future.

ISO TECHNOLOGY SDN BHD ("ISO")

ISO had a very challenging FY2019 as its business performance was hit hard by the weakness of the LED division, in particular the general lighting segment. Most of the customers in this segment were impacted by the weak market demand, excess inventory, pricing pressures which was exacerbated by the tariffs imposed from the US-China trade war. The low loadings with a lack of economies of scale lead to a weaker year on year performance for this division.

The laser automotive headlamp division went through some learning curves after it started mass production in FY2019. Over the course of the year, it had overcome many of the initial challenges faced when ramping up from the prototype stage. We have since started the next stage ramp up in November 2019 after overcoming these challenges, and the line is expected to ramp further in FY2020 as the product gains traction with more customers adopting the product and is currently still trailing in backlog orders.

For the bio environment sensor, the progress has been slow in FY2019 as we are still trying to overcome the product performance and reliability concern. Initial end customer design success was very exciting and promising with 2 global smart devices companies committing to adopt into their respective next generation smart devices for FY2021.

A recent breakthrough is that a big global consumer electronics company is looking to adopt it into their air conditioners and we are hopeful to start some small mass production by end of FY2020.

Management Discussion and Analysis by the CEO
(cont'd)

PROSPECTS

Our new generation sensors are expected to lead us to growth in FY2020. We are looking to produce three new generation sensors for the light, gesture and motion sensor lines which are the staple components of our end customer's smart devices and accessories. The outlook for these products are strong as evidenced by the improved performance of our end customer's recent order forecasts which is further supported by the agreement reached in the US-China trade war compromise. Despite the challenging environment, the technology industry would still head into FY2020/2021 with optimism in anticipation of the adoption of new technologies such as 5G.

The laser automotive headlamps continue to gain encouraging traction and progress, and with the initial mass production issues largely ironed out, we are ready for bigger volume ramps going forward.

The trade war has also presented us many new opportunities as many quality MNCs have relocated to Penang, bringing with them some of the latest technology and products. We are hoping to collaborate with some of these companies to penetrate into new areas like power chips, medical applications and 5G components and are optimistic that these will drive us into new growth areas that are higher in the value chain and less labor dependent going forward.

On a whole, we are expecting to see overall performance for FY2020 to be better than FY2019 due to new project wins and recovery from the trade-war slow down. We are hoping the negative global impact caused by Covid-19 will be contained soon.

RISKS

The biggest risk affecting the global supply chain and sentiment has partially abated. With the signing of the Phase 1 trade deal between the US and China, this has removed one of the biggest obstacles to trade and investment - "Uncertainty". The uncertainty that caused so many companies to delay their investment plans would hopefully have been allayed now that the escalation of the tariff fights has come to a temporary stop.

The risk again lies in the US engaging in other trade fights with entities such as the European Union ("EU") and thus causing uncertainty again. This would disrupt or delay the potential of Globetronics in clinching some of the new wins we are working towards in the power chips, medical and 5G component space as the time to market of new components are key to deciding if they get incorporated into the latest technological devices.

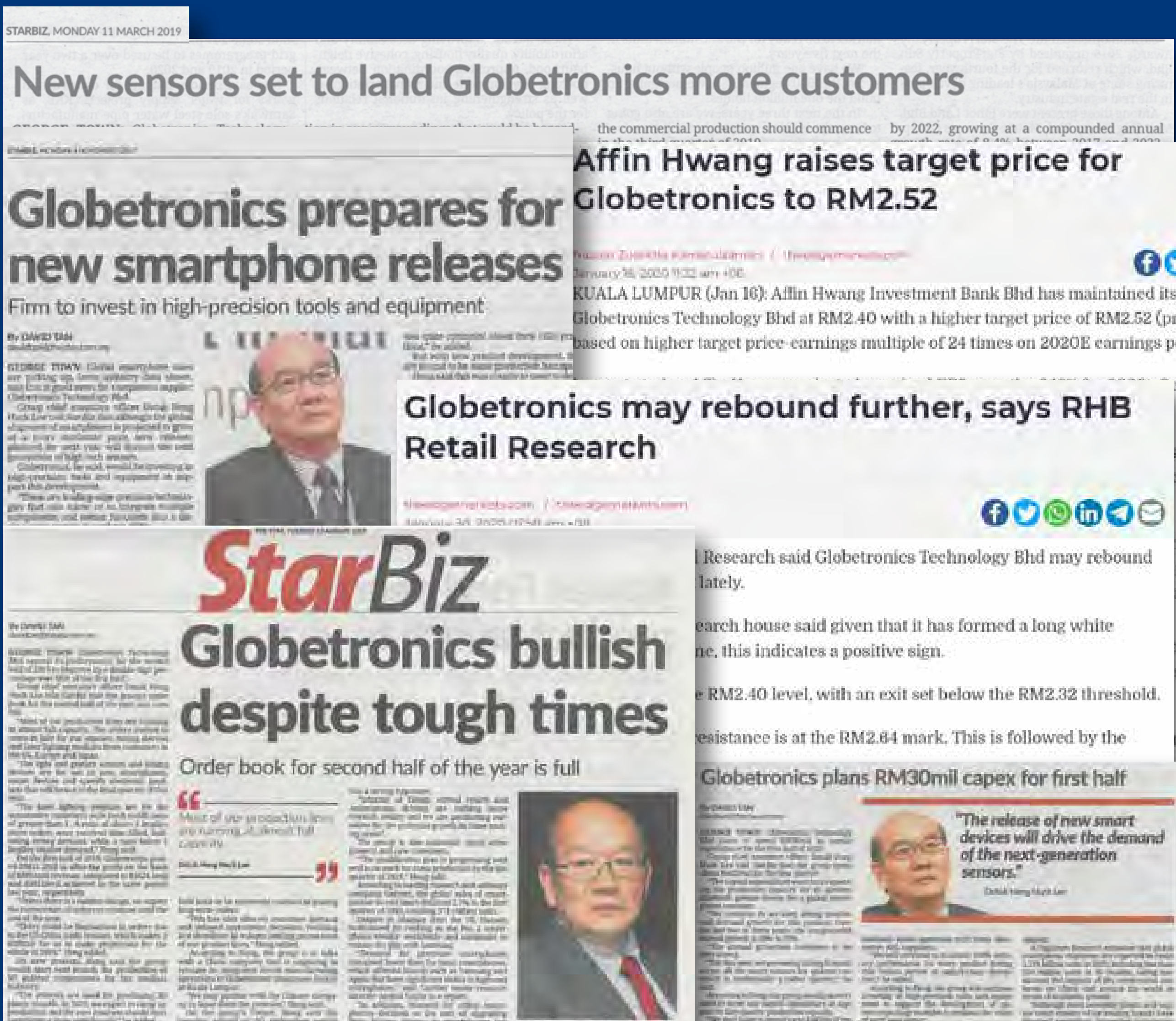
The continual shifts of supply chains from China may also affect the end demand of components, as well as disrupt some of the supply of raw materials for our existing as well as potential new products. In summary, the trade war would continue to provide both risks and opportunities as we try to navigate through these turbulent conditions in the best manner possible.

The sudden outbreak of Covid-19 from Wuhan, China has caused massive supply chain disruption and demand uncertainty. While we are not directly being impacted due to our pro-active strategy to have alternative second source, there may be potential slow down with our customers where their downstream operation/production may be more severely affected by the supply chain disruption from China.


Locally Familiar, Globally Recognised

The Backstory

Creating Positive Workplace Culture



STARBIZ, MONDAY 11 MARCH 2019

New sensors set to land Globetronics more customers

the commercial production should commence ... by 2022, growing at a compounded annual

Globetronics prepares for new smartphone releases

Firm to invest in high-precision tools and equipment

By DAVID TAN

Affin Hwang raises target price for Globetronics to RM2.52

January 16, 2020 11:32 am +08

KUALA LUMPUR (Jan 16): Affin Hwang Investment Bank Bhd has maintained its ... Globetronics Technology Bhd at RM2.40 with a higher target price of RM2.52 (pr... based on higher target price-earnings multiple of 24 times on 2020E earnings p...

Globetronics may rebound further, says RHB Retail Research

...l Research said Globetronics Technology Bhd may rebound ...lately.

...earch house said given that it has formed a long white ...ne, this indicates a positive sign.

...e RM2.40 level, with an exit set below the RM2.32 threshold.

...esistance is at the RM2.64 mark. This is followed by the

StarBiz

Globetronics bullish despite tough times

Order book for second half of the year is full

By DAVID TAN

Globetronics plans RM30mil capex for first half

"The release of new smart devices will drive the demand of the next-generation sensors."

Sustainability Statement

It is our pleasure to present to you Globetronics Sustainability Report for Year 2019. As a supplier in the global electronics supply chain, Globetronics strives to be a reliable and competent manufacturing partner to our world renowned customers in bringing the latest miniaturize components and applications into smart devices to improve the lives and connectivity of global consumers. As a homegrown Malaysian company, Globetronics is committed to play our part in making sustainability a part of our organizational values in evaluating our business strategies and decisions. With a focus of striking a working balance in managing the Economic, Environment, Society, Governance ("EESG") criterias within our community whilst maintaining operational profitability, we are preparing the Group to succeed now as well as into the future.

Being a high technology manufacturing company, some of the key material matters for us would include the welfare of our employees, our procurement practices in supporting the local supply chain, manufacturing excellence, practicing the 3R's (Reduce, Reuse, Recycle) in our business operations and exploring the use of renewable energy sources in caring for our environment.

The Board leads the Group in embedding sustainability as part of our business strategy going forward. The Group has adopted a Sustainability Policy which has been proliferated to our employees and would govern the way we do business with all our stakeholders in the future.

A copy of the Sustainability Policy is available for reference at the Company's website www.globetronics.com.my.

Scope of Report

The scope of the Sustainability Statement covers the period from 1 January 2019 to 31 December 2019. The policies and strategies discussed in the report apply to all subsidiaries within the Group save for Globetronics International Incorporated (foreign investment holding company), Globetronics Industries Sdn Bhd (dormant company), Globetronics Medical Technology Sdn Bhd (provision of computer hardware and software), Trilion Suntech Sdn Bhd (dormant company) and NGK Globetronics Technology Sdn Bhd (Associate Company with < 50% stake).

Sustainability Governance Structure

The drive to initiate and embed sustainability into our business strategies is led by our Board of Directors, who play a critical role in continually establishing and formulating new business strategies such as sustainability and the Enterprise Risk Management ("ERM") framework to ensure that the Group remains proactive and dynamic in dealing with the constantly changing global environment to succeed now as well as into the future. The Board is supported by the CEO and Audit and Risk Management Committee ("ARMC") in providing guidance and implementing policies to ensure that Group assets are protected and the sustainability and risk governance issues are proliferated across the subsidiaries in the Group.

The Business/Operations Risk Review Committee ("BORRC") would implement the business strategies that ensures the sustainable performance of the Group economically through the implementation of manufacturing excellence, NPI, supply chain management and data integrity/security. The activities and proposals from business units are actively monitored through daily updates, bi weekly managerial meetings as well as detailed monthly business review where strategies and decisions are evaluated to ensure that they are in line with the Group's vision and direction.

An Environment, Social, Governance ("ESG") Committee headed by the CEO, business unit leaders and key management personnel has been tasked to ensure the smooth facilitation and embedding of sustainability into the key activities of the Group. The ESG committee meets once a month to present indicators such as energy usage, emissions, safety as well as propose environmental and social projects to be carried out within the Group.

SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability Statement (cont'd)

Stakeholders Engagement and Prioritization

Stakeholders represent the diverse group of parties that have a degree of interest and influence on the Group and the way it operates. The Group is committed to regularly engage with its key stakeholder base that include customers, employees, government/regulators, investors/media and our Board to find out issues that concern them and to build a balanced, holistic business strategy that is incorporated based on the prioritization of the respective stakeholders. In view of the ongoing changes in customer mix and products, we felt that it would be appropriate to adopt the practice of doing annual customer surveys to ensure that we achieve customer satisfaction at all times, and this would be one of the key new engagement with stakeholders we have added for the year. Some of our key stakeholders and the type of engagement we have with them are summarized as below.

Stakeholder Group	Type of Engagement	Sustainability Concerns
Customers	• Dialogue/Conference Calls • Status Updates and Operational Presentations • Line and Systems Audits • Customer Visits • Customer Surveys	• Competitive Prices, Quality, Yield • Customer Satisfaction • Timely Ramp Up for Product Transfers • Compliance to All Customer, Legal, Local and Federal Regulations • Data Integrity and Security • Procurement Practices • REACH and RoHS Compliance
Board of Directors	• Board Meetings • Audit and Risk Management Committee Meetings • Other Committee Meetings	• Revenue and Profit Growth • Return on Investment ("ROI") and Capex Protection • Customer Satisfaction • Optimum Resources Allocation • Compliance to All Relevant Regulations • Retaining Key Internal Talent • Anti-Corruption and Bribery
Employees	• Health and Safety Talks • Suggestion Box • Volunteer and Recreation Programs • Annual Appraisal	• Competitive Compensation and Benefit Packages • Career Path Planning and Training • Safe Working Environment
Investors	• Quarterly Results Briefing • Roadshow and Non-Deal Roadshows • Investor Conferences • Annual General Meetings	• Continuous Revenue and Profit Growth • Short Product Lifecycles • Good Dividend Payout • Customer Concentration Risk • Good ESG Practices as New Investment Criteria – Carbon Footprint and etc.
Regulators	• Air, Water, Emissions Compliance and Report Submissions • Scheduled Waste Disposals • Survey, Statistics Requests by Regulators • Quarterly Announcements	• Adherence to Law and Regulations • Corporate Governance and Compliances

Materiality Assessment

Our materiality assessment process is done through our evaluation of various stakeholders' engagement throughout the year, peer comparison reviews and cognizance of the current economic, environmental as well as social trends both locally and globally. On top of this, there is a continual scanning of the business environment done to ensure that we stay on top of the business risks and opportunities that abound as a result of the rapidly changing global environment. This would surmise to determine the key material matters that would impact the Company and stakeholders based on our interaction with stakeholders and from internal discussions in the ESG Committee.

The list of sustainability matters are mostly similar to Year 2018 as it is still deemed relevant with the exception being the addition of Industry 4.0 Implementation Plan and Anti-Corruption and Bribery. The reason for the addition of Industry 4.0 is that it is becoming increasingly crucial to use automation and data analytics in running the operations to achieve maximum efficiency, accurate tracking of material and cost optimization to ensure that we remain competitive and relevant in our industry. Our customers and the Malaysian government are also encouraging the adoption of these best practices as part of our progress plan in moving up the technology value chain.

Sustainability Statement (cont'd)

For anti-corruption and bribery prevention, while it is not something new and already enforced in the Group, it is an area we would put focus on in the upcoming year in view of the adoption of corporate liability provision under Section 17A of Malaysia Anti-Corruption Commission ("MACC") Act 2018. The Board of Directors and Senior Management have already attended seminars and talks to familiarize themselves with the revised rules and definitions. There are also plans in place to conduct similar sessions for all our employees so that everyone is aligned to the commitment of zero tolerance to any form of corruption and bribery in the Group.

Some of the key sustainability matters identified by the Group are detailed below.

IDENTIFYING SUSTAINABILITY MATTERS

Key Sustainability Matters Identified

Key Stakeholders and Prioritization

1. Customers
2. Employees
3. Board of Directors
4. Investors
5. Government/ Regulators

Materiality Assessment and Matrix

Theme and Indicators

Scope and Boundary: All Operations

Environment:

1. Energy Efficiency-Solar Energy
2. Waste Management and Emission
3. Caring for the Environment-Recycling

Economic:

1. Business Growth and Diversification with Customer Satisfaction
2. Manufacturing Excellence and Continuous Improvement
3. Industry 4.0 Implementation Plan
4. Supply Chain Management
5. Reduce, Reuse, Recycle ("3Rs")
6. Data Integrity and Cybersecurity

Social:

1. Employee Welfare and Safety
2. Human Capital Development
3. Workforce Diversity
4. Social Contributions and Community Projects

How do we contribute to UN SDGs

In September 2015, the United Nations General Assembly has set up the Sustainable Development Goals ("SDGs") which comprise a set of 17 goals as per below with respective targets to be achieved by year 2030. These SDGs are with the aim of creating a better world for mankind. In our sustainability drive, we are aware of the role we can play in helping to achieve the SDGs and will illustrate our contributions in the respective activities.

Sustainability Statement (cont'd)

ENVIRONMENT

Environmental Management (Application: SDG 3, 6, 12, 14, 15)

At the Group's various plants, we ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and waste water. As part of our corporate responsibility agenda, we have measures in place to minimize the adverse impact on the environment and to achieve continuous improvement of our plants/factories' environmental performance.

Water used for our manufacturing sites form a crucial part of the process for most of the production lines, as unclean water can cause high particle counts that disrupt the ability to produce a quality product. As such, we have in place the proper filtration and distilling equipment to ensure high quality water supply to our lines at all times. Industrial and sewage effluents are measured against a range of parameters to ensure that is compliant to all industrial standards. Scheduled production shutdowns (to improve UPH) and regular preventive maintenance are performed on facilities chiller, cooling tower, strainer, vacuum, transfer pump and circulation pump to reduce the usage of water.

We introduce a new program which involved the valve control of the wafer sawing process, whereby the water that is normally discharged to the drain is circulated back to the tank instead. This program had helped to save 29,963 m^3 of water in Year 2019.

Scheduled waste management programs are also in place with a waste code list measured and submitted to the Department of Environment ("DOE") on a monthly basis. The following is a summary of the waste disposal activities carried out by the Company.

Description	2017 (kg)	2018 (kg)	2019 (kg)
Disposed containers, bags, or equipment contaminated with chemicals, pesticides, mineral oil or schedule wastes (SW409)	6,615	7,709	7,179
Rags, plastics, papers or filters contaminated with schedule wastes (SW410)	2,167	2,522	2,468
Waste containing mercury or its compound (SW109)	55	68	14
Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl (SW110)	67	194	30
Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium (SW204)	759	–	217
Waste of non-halogenated organic solvents (SW322)	5,146	3,189	2,101
Spent lubricating oil (SW305)	165	123	971
Spent hydraulic oil (SW306)	200	200	-
Total	**15,174**	**14,005**	**12,980**

Industrial scraps and salvageable material are either sold to licensed scrap vendors or recycled/reused in the production lines to minimize waste to the environment.

For the areas where air quality is concerned, they are measured on a periodic basis and include the areas of generator set (emission of solid particles within stipulated limit), gas and piping maintenance to ensure no leaks and compliance to environmental standards. Our plating operations are compliant to the Standard "C" limit in the Environment Quality (Clean Air), Regulation 1978, Part V, Air Impurities No.27 where hazardous gasses are present.

Sustainability Statement (cont'd)

Type of Hazardous Gasses	Unit	Air Impurities Concentration	Environmental Quality (Clean Air) Regulation 1978	Remark
Formic Acid	mg/Nm^3	ND (<0.5)	–	Not detected
Nitric Acid	mg/Nm^3	ND (<0.1)	–	Not detected
Sulphuric Acid	$mgSO^3/Nm^3$	ND (<0.2)	200	Not exceeding
Phosporic Acid	mg/Nm^3	ND (<0.5)	–	Not detected
Acetic Acid	mg/Nm^3	ND (<2.3)	–	Not detected
Methanol	mg/Nm^3	ND (<4.7)	–	Not detected

We also have scrubber and exhaust systems where the air pollutant concentration are to be in compliance to Environmental Quality (Clean Air) Regulation 2014, and the results of the tests for Year 2019 are as follows:

Sampling Point	Parameter	Unit	Air Impurities Concentration	Environmental Quality (Clean Air) Regulation 2014	Remark
Scrubber	Total Particulate Matter	mg/m^3	ND (<0.6)	150	Complied
	Hydrogen Chloride	mg/m^3	ND (<0.2)	30	Complied
	Potassium Hydroxide	mg/m^3	ND (<0.6)	5	Complied
	Nitric Acid	mg/m^3	ND (<0.6)	30	Complied
	Isopropyl Alcohol	mg/m^3	ND (<0.6)	150	Complied
Genset 1	Solid Particles		1.1	80	Not exceeding
Genset 2	Solid Particles		7.1	80	Not exceeding

For Genset 1 and 2, it was also subject to boundary monitoring test under The Planning Guidelines for Environmental Noise Limit and Control (Schedule 1 Specification) where it is not supposed to exceed the range for day time of 70 dB(A) and night time of 60 dB(A). The test results showed that we did not exceed the noise specification for Day Time but exceeded the noise specification for Night Time. The Night Time results indicated that the noise sources came from not only the genset but also from our neighboring factory, which is a factor that is beyond our control.

For energy reduction, we have implemented the Intelligent Flow Controller ("IFC") to the air compressor systems of most of our subsidiaries and for our new projects, the chiller systems that we are installing would also be of the energy efficient variant. Other activities include preventive maintenance of facilities equipment, installation of stabilizers on air compressors and scheduled shutdown of operations to reduce electrical usage. These activities have resulted in an electrical energy reduction of about 10% below the theoretical usage in Year 2019 had these activities not been implemented.

Currently, all our Penang manufacturing factories are certified to the international environmental management systems standard, ISO 14001. Where it is applicable and upon requests by our customers, we have also complied to 4 other environment regulations which are the restriction of hazardous substances (RoHS), halogen free, substance of very high concern ("SVHC") and conflict minerals reporting template ("CMRT").

The key indicators of electricity usage, CO_2 emissions and water consumption are now reported in a monthly ESG Committee meeting. Activities undertaken and programs introduced to reduce usage of the key environment elements are also presented in this meeting.

Renewable Energy - Solar (Application: SDG 7, 13)
Development of sustainable energy initiatives have been one of our Group's key focuses particularly in the reduction of electricity consumption via the installation of solar panels on the rooftops of our building sites. The solar panels are negotiated on a lease agreement, where the panels belong to the installer and for our side, there would be zero investment costs and maintenance fees while securing a rate lower than the current TNB rates for the energy produced by the panels. The installation has been completed for all buildings that are feasible to be fitted with solar panels in Year 2019, which we refer to as G2 and G3 respectively. Another building, G4 is pending to be fitted with the solar panel. Installation would commence after a building feasibility has been completed and a performance review of the existing installed panels. The solar panels have contributed about 312,300 kwH energy for the period of March to December 2019, which is equivalent to about 4.2 sun hours per day. The panels are fitted with the ability to switch to normal power supply mode during non-active periods at night.

Although the amount is not large due to limited sun hours per day, this had enabled us to reduce our carbon footprint by more than 216,000 kg of reduced CO_2 emissions this year. (using ratio of 0.694 as per Greentech Malaysia at https://www.greentechmalaysia.my/carboncalculator/).

Sustainability Statement (cont'd)

Caring for the Environment

The following projects were created with the aim to reduce the harmful effects to our environment which had been set up among the various subsidiaries within the group.

Project: Recycling of batteries (Application: SDG 15)

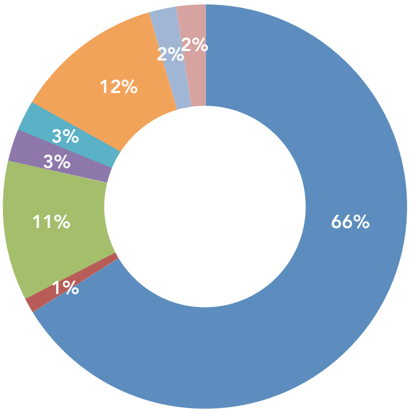
Description: An employee program had been set up to dispose of batteries. Improper disposal of batteries are harmful to the environment as they contain materials like mercury and lead that can cause the emission of greenhouse gasses as they decompose in landfills. A collection centre was set up in one of our subsidiaries (ISO) and employees are encouraged to bring their dead batteries for disposal. Shipments have been arranged 2 times per annum to pick up these batteries for proper disposal.

Recycled amount: 163.1 kg

Project: 3R Program (Reduce, Recycle and Reuse): SDG 15

Description: Recycling program to dispose of recyclable waste such as plastic bottles, cans, paper. For certain waste such as empty carton, lean frame, tray, empty spool and wooden pallet are returned to supplier or recycle internally. Tray and metal ring are recycled through established cleaning process. Recycling helps to reduce energy usage, reduce the consumption of fresh raw materials, reduce air pollution and water pollution (from land filling) by reducing the need for "conventional" waste disposal and also reduces greenhouse gases emissions.

Breakdown of 2019 Recyclable Waste:



GSB 3R Program	kg
Reuse of Metal Ring	83,975
Reuse of Empty Au Wire Spool	1,654
Reuse of Plastic Tray	14,317
Reuse of Carton Box (ISO)	3,302
Reuse of Wooden Pallet (ISO)	3,110
Recycle of Carton Box (GSB)	15,300
Recycle of Paper and Plastic Bottle	2,815
Recycle of Plastic Tray	2,770
Total	**127,243**

Project: Recycling of paper/mineral water bottle (plastic): SDG 15

Description: GSB has set up a program to encourage employees to recycle paper/plastic mineral water bottle to help in conserving the environment while contributing to the underprivileged. Plastics are one of the major items that is degrading the global environment and we are happy to be able to play our small part in recycling these items. All recycled items are collected and contributed to SIMA Handicapped Centre, as part of our social contribution to the local community by helping them financially in this area. Recycle bins are provided at designated factory areas to conveniently enable contributions from employees.

Total collection: 681.5 kg contributing to RM545

Sustainability Statement (cont'd)

Project: Tree Planting
Description: We have set up a tree planting activity in one of subsidiaries, ISO. The program is set up to create awareness to our employees on the importance of green lungs in urban areas and how to help care for the environment. The gardening activities are expected to reduce carbon dioxide emission in the factory compound, and study shows that as a tree matures (12-24 meters), it can consume 21.9 kg of CO_2 per year as it turns that CO_2 into parts of itself. Estimated, 1 meter tree can absorb 0.91 kg of CO_2 per year, where we have 28 trees of this category.

Estimated CO_2 reduction: 25.4 kg

Banning of Plastic Straws and One Use Plastic (Application: SDG 15)
As plastics play an increasingly wide role in global pollution and the disruption of natural life both on land and in sea, the Group have also decided to contribute in our role to reduce waste disposal to the environment. Supporting the government initiatives in this area, we have banned the use of plastic straws in our factories starting April 2019.

One-time plastics have also been banned almost completely (except for the minimal usage for take away of food with gravy) and replaced with more environmentally/ recyclable containers for food and drinks. Our employees have been very supportive in this area and are glad to play our part in helping to conserve our environment. While the numbers in terms of weight are not large, it is these small particles that have caused the loss of many marine life.

Summary: Eliminate ~176,000 pcs/96.8 kg of straw usage yearly.
Summary: Eliminate ~21 kg of plastic bag usage yearly.

ECONOMIC (SDG 8,9,12)

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Business Growth and Diversification (SDG 8)
The goal of most businesses/organizations is to make a profit on a yearly and consistent basis, and Globetronics is no different as making a profit is one of the main keys of survival. Over the years, we have constantly evolved to fit and meet the ever changing requirements of the business environment through a diversification of the products we do, the customers we serve and the manufacturing capabilities we have. While it is not easy, we are humbly pleased to report that we have been profitable for every single year since we started business in Year 1991 and would continue to endeavor to do so in the years ahead through the continued pursuit of new business opportunities, identifying new business trends and improving our manufacturing and development capabilities.

As product lifecycles become shorter due to the rapid technological advancements, the ability to introduce new products to the marketplace in a timely manner has become a very crucial key to success. Our business model is increasingly skewed towards the co-development of new components/products with our customers, that upon mass production, will be a totally new introduction to the market. At any point in time, we have multiple products that are progressively in development stage waiting to be adopted by the customer and market place that will lead to mass production.

The new products we have successfully qualified and started mass production for Year 2019 are:
1) Light sensor for our European customer designed into the latest smart devices.
2) Bio-environment sensor that can detect toxic gasses in its surroundings (small volume build)

On top of this, there are many exciting products that are moving into various stages of qualifications that are targeted to go into mass production in Year 2020, among which:
1) Light sensor for our European customer to be designed into next year's smart devices.
2) Gesture sensor for bluetooth wireless device.
3) Motion sensor for smart wearable device.

There are also products in discussion stage that could potentially be new products in Year 2020. Some of these products have applications to exciting areas like autonomous driving and bio-sensing for smart wearable devices. These are important parts of our business

Sustainability Statement (cont'd)

diversification process where we actively pursue new business opportunities to diversify our customer as well as product base on a continual basis.

New business opportunities are evaluated on a thorough basis by the Board, BORRC and goes through proper risk assessment as per our Enterprise Risk Management Policy. All CAPEX spending are justified using various indicators of ROI, useful life risk and taking into consideration the position of all stakeholders in the company.

Customer Satisfaction (SDG 12)

Customer satisfaction is one of our key beliefs and we strive to be a good supporter and the business partner of choice to world renowned customers. Providing competitive prices, good quality and timely ramp up are some of the key measurements in being a good partner from our end.

Toward our end, we have also implemented annual customer satisfaction survey in the area of Quality, Delivery, Service and Cost with the following parameters:

Quality -	Return Merchandise Authorization ("RMA"), Effectiveness of corrective action closure, customer disruption
Delivery -	On time delivery, premium freight competitiveness
Service -	Scheduling, technical support, accuracy of report, responsiveness
Cost -	Price competitiveness

The survey would provide our subsidiary heads with the focus areas to improve on (using scoring indicators) and also address any customer concerns highlighted to ensure that we always provide the best service and solutions to our customers.

The areas of focus for the customers revolve around cost as that is a key parameter in order for their products to remain competitive in the marketplace. Production line focus would be in the areas of yield, process improvement, productivity and automation to address this.

Manufacturing Excellence and Continuous Improvements (SDG 9)

The Group puts emphasis on manufacturing excellence at all times, to ensure that all our lines and processes are benchmarked and meet all globally defined manufacturing standards. This is done through regular internal line audits, external audits by independent auditors for quality standards, as well as ongoing customer audits to ensure that our operations comply with all requirements and have continuous improvement plans for our manufacturing lines.

The Group has over the years put in resources to reduce the use of paper in our operations. Our subsidiary company GMT had come up with our own Enterprise Business Operating System ("ebizOS") system whereby our main business functions are interconnected through this feature. We have expanded our manufacturing capabilities over the years from copy exact type of contract manufacturing work to today where we play a key role and a co-development partner in coming up with manufacturing processes for new products/components that are scheduled to hit the marketplace. Our manufacturing capabilities now include wafer level packaging and flip chip processes for the more advanced components in the market place, wafer saw and sorting for advanced LED products and in the process of qualifying new components for the sensors, smart devices, Internet of Things, health and automotive sectors.

Automation has also been a focus area for us in the last few years. We had implemented automation in our KL operations on a phase by phase basis, with Auto Optical Inspection ("AOI") machines taking over the more labor intensive and strenuous back end manual inspection processes. Our new sensors projects had also implemented AOI, so for the Group serving the dual purpose of reducing the manual portion of the operator's job and also in supporting the local supply chain by purchasing the AOI from local suppliers.

Industry 4.0 Implementation Plan (SDG 8, 9)

As the next step to achieve manufacturing excellence, the next area of focus for us would be to further automate, link and use live data to improve further the efficiency of our operations. Our plan is to start small pilot lines on our key operations using big data analytics with other new technologies to enhance yield, reduce defects and enable real time monitoring of all the key indicators. The new lines would serve as a benchmark to existing lines, to encompass industry leading and government lead initiatives for companies to adopt Industry 4.0 into their operations.

The pilot lines will most likely be placed in the 25 thousand square feet additional manufacturing space we installed previously which has been utilized for production. This additional space is our commitment to customers in allocating resources for future growth, with the housing of our latest sensors products and NPI lab, linked by a walkway as well as a material flow passage for optimal performance of operations.

Supply Chain Management (SDG 12)

We extend our best business practices into our supplier chain as well with our supplier's aligning to our core values through the signing of a supplier's Code of Conduct. The Code of Conduct requires the suppliers to meet our requirements in the following areas:

- Legal Compliance
- Prohibition of corruption and bribery
- Respect for the basic human rights of employees
- Prohibition of child labor
- Health and safety of employees
- Environmental protection

Suppliers are expected to conduct a self-assessment to ensure they are in compliance to these requirements. They are also measured under a Supplier Rating and Ranking system using QCDS (Quality, Cost, Delivery, Service) to ensure that the Group consistently has a reliable and reputable supply chain to provide the best service and support to our customers.

Sustainability Statement (cont'd)

Local Supply Chain (SDG 12)
Being a niche player in the technology space and as part of the global supply chain, we understand that Malaysia has its own competitive advantage with its diverse range of technology companies providing complementary services to big global customers. As these MNC customers have been in operation for many decades, they also have established systems, processes and suppliers whom they work with.

For our part, where possible, we are trying to localize some of the procurement sources. The key area where we have made inroads so far are in sourcing AOI and automation machines from local Malaysian companies when we automate our current production processes or set up new manufacturing lines.

Our procurement practices also play a key role in maintaining the competitiveness of our products in the supply chain. There is a continual effort to find suitable, sustainable and cost competitive materials to complement our product improvement programs as part of our value added solutions to the customer. An example of this would be our supplier bidding program where suppliers bid and are selected after going through the evaluated indicators of cost, delivery, service, regulation compliance/licenses, etc.

Reduce, Reuse, Recycle (Application: SDG 12)
For the Group, the 3Rs are one area where sustainability is a material matter to us. This stems from the fact that we are doing high volume manufacturing, and the potential for waste from material usage to the environment is high.

The initiatives we undertook would serve to have multifold effects, by ensuring our businesses are operating at optimal levels through the efficient use of our resources while at the same time prolonging our equipment and materials from hitting the environment as scrap earlier.

To drive business sustainability, we have embarked on the following initiatives as part of our 3R drive in 2019:

1. **Reuse HEPA Filter, Laminar Flow, cabinets from GKL to Penang subsidiaries**
   Description: The moving of cleanroom and office equipment from our downsized KL operations to our Penang subsidiaries, is an example of how we apply sustainability policies to positively impact the environment and economic factors. Items such as racks, cabinets, computers, cleanroom filters were transferred to be reused instead of discarded which helps to conserve environment (reuse) and also contribute to savings (economic).

2. **Reclean and recycle phosphor fluid tube adapter**
   Description: This activity would see us clean and reuse the tube adapters that are used in the production line. Instead of discarding after use, this helps to prolong the useful life and reduce wastage.

   Results = About 400 adapter tubes usage per month, able to prolong usage by 3X.

Sustainability Statement (cont'd)

Data Integrity and Cybersecurity (SDG 9)

Data integrity and cyber security has become an increasingly important aspect of business operations. This is especially evident in view of the escalating cases of accounting fraud/ scandals globally as well as the recent ransomware virus attack.

The ransomware virus attack had also exposed the vulnerability of many firms globally to cyber attacks. Whilst no system is fool proof against these attacks, the Group is continually monitoring and implementing all the necessary anti-virus programs and firewalls to secure our data. Being part of the global supply chain for components in key electronic devices, the Group needs to ensure a reliable and accurate live tracking of its data to ensure uninterrupted delivery of its production lines.

Since Year 2018, we have begun to re-evaluate the adequacy of our IT systems in terms of software, hardware and server requirements. The review has indicated that some areas require enhancements to be able to meet the stringent requirements of our customers in capturing important data and running some of the latest manufacturing applications. As such, we have embarked on hardware and software replacement cycle for our Group which would be done in phases, with the first phase of hardware/software/servers replacements completed in Quarter 4 2018, and to be followed through additional phases in Year 2019.

As a continuity of our IT systems enhancements in Year 2019, we have upgraded and consolidated our email communication infrastructure in phases to host it under Microsoft Exchange Online (Microsoft Cloud Infrastructure). In terms of email security, Exchange Online eliminate threats before they reach GTB firewall or users with multi-layered, real-time anti-spam and multi-engine anti-malware protection.

Our Wireless Local Area Network ("WLAN") has also been upgraded with improved internet speed of 10X. This is an important first phase to ensure that our efforts of Industry 4.0 and using live data and analytics have the proper infrastructure to support it.

Next phase focus would include network segmentation and segregation to limit impact of network intrusion and virus outbreak, and also making it harder for intruders to hack into the system.

SOCIAL (SDG 3,4,5,8)

Employees

We have a total headcount of approximately 1,300 employees in our Group. As a niche player in the very competitive technology industry, being a responsible and caring employer to our very important assets, our employees remain one of our key priorities. We strive to provide a safe, conducive and growth environment for everyone of our employees and this can be tracked through the various indicators listed.

Employee Health and Safety (SDG 3,8)

We strongly believe that human capital is the most important value to an organization. To ensure a safe and healthy working condition for our employees and support workers, the Group has developed guidelines to safeguard employees in all of its business operations. Our Environmental, Health and Safety ("EHS") team which is a part the ESG Committee ensures that health and safety policies are effectively implemented and continuously improved. Our EHS management system are reviewed against international best practices and updated from time to time.

To safeguard employees and instill the values and knowledge essential to a safe and healthy workplace, we continuously undertake first aid training, health talks, fire drills and plant evacuation exercises. All safety incidents are shared in the ESG Committee to ensure no recurrence occurs, and key learning of new safety implementations are also shared. Despite the actions taken to reduce safety incidents, there was unfortunately an increase in the factory accident rate and fire incident rate compared to Year 2018. There were 3 fire incidents during Year 2019 which were all caused by burned transformers. Factory accidents and near misses were mainly due to the negligence of the employees. Cause of incidents and action plans to ensure no recurrence for both cases were shared in the ESG meeting. These were not repeat incidents, but however the team is not satisfied and is committed to reduce both the factory accident and fire incident rate for Year 2020. At the Group's manufacturing locations, we have continued to ensure that equipment and building systems are functioning properly and are well maintained.

	2019
Factory Accident	8
~ Fatalities (Cases)	–
~ With Man-Hour Lost (Cases)	4 (137hrs)
~ Without Man-Hour Lost (Cases)	4
Near Miss Accident	3
Safety Violation	–
Fire Incident	3
Faulty Fire Alarm	–
Nature Environmental Impact	–

Sustainability Statement (cont'd)

Human Capital Development (SDG 4)

One of our key corporate responsibility initiatives is the development of human capital as our employees are our greatest asset. The development is achieved through the implementation of various initiatives such as in-house cross training and employees' productivity improvement, building university relationships and encouraging workplace diversity. The ultimate aim of these objectives is the unity of all employees in striving for a common objective i.e. the success of the Group in terms of economic, social and environmental development. Our employee evaluation criteria have also been revamped over the years and we have put in place comprehensive evaluation systems that not only measure the hard skills but also the soft skills of employees like relationship building and charisma, to build them to be highly marketable in any industry.

We have also committed to do a 100% appraisal of all employees on an annual basis to ensure alignment to the Company's key performance metrics and values, to provide career path guidance and to obtain feedback from employees on their view of the Company. This commitment has been achieved in the current year as well as the previous 3 years, with appraisal criteria consistently being improved and matched to best industry practices. These appraisal sessions are also important as an avenue for identifying the right candidates to head the respective leadership roles within the Group of Companies.

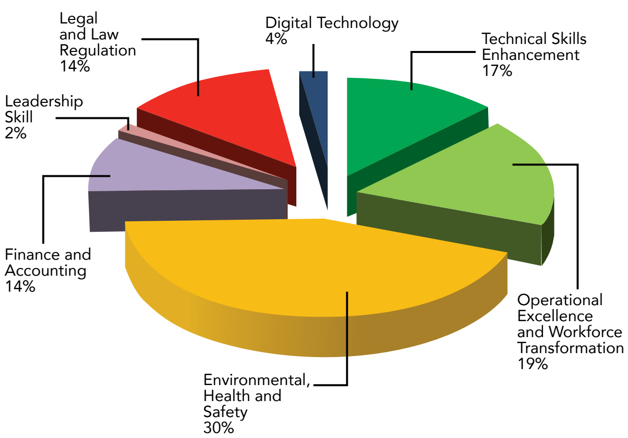
In terms of nurturing future leaders, many programs have been put in place that include both general and specific targets of key employees at various levels in the Company. The leadership programs are conducted when there is a sufficient pool of identified candidates, some of the established programs we have conducted include the Leadership Development Program, Managerial Development Program and mini MBA.

We invested a total of 185 training programs and spent a total of RM257,000 for human capital development in Year 2019, with 1,782 training hours for 3,803 employees achieving the following:

- 70 new courses were conducted in Year 2019 to upgrade our people's competency levels to new products and technologies, with exposure as follows:

Description	Total
Technical Skills Enhancement	12
Operational Excellence and Workforce Transformation	13
Environmental, Health and Safety	21
Finance and Accounting	10
Leadership Skill	1
Legal and Law Regulation	10
Digital Technology	3
Total	70

Training Program by Category



Sustainability Statement (cont'd)

Employee Welfare (SDG 3,8)

Fostering better ties with our employees and improving their quality of life are areas that have continuously been given importance in the Group's corporate responsibility initiatives. We have tailored specific programs to cover a holistic representation of our employees welfare in the areas of health awareness, sports and food. The programs we have carried out in Year 2019 are as follows:

People Program

3 festive celebrations (Chinese New Year, Hari Raya Aidilfitri and Deepavali) being carried out in-house with good response and participations.

Sports and Recreational Activities

Weekly zumba and badminton sessions have been coordinated to achieve work life balance. Good turnout for both events.

Sponsored our employees and family members for the GLO Walk 2019 to promote healthy lifestyle and as part of our charity sponsorship.

Health Activities

Below health awareness activities were carried out FREE for our employees:

Health talks, blood test, eye check, DNA test, dental check, general health screening and road safety campaign.

Sustainability Statement (cont'd)

Food Quality, Hygiene and Facilities

- Healthy food corner being introduced on weekly basis to promote healthy eating, selling salads and non-fried items.
- Upgraded the canteen gas piping and cooking system to ensure safe and conducive cooking environment.
- Monthly canteen audit being carried out to ensure local council's requirements are met.

Other Benefits

In terms of working flexibility, we have introduced time off programs for employees who have to put in overtime during the periods when there are urgent requests by customers.

Employee recognition programs have also been put in place to reward key contributors through cash and gifts, and meal treats have been given out to all employees as a token of appreciation for their contribution and efforts.

Department outings or annual dinners are done on an annual basis to create closer bonding for our employees.

Starting in Year 2020, the Penang City Council has started to impose parking fees for cars parked on the roadside of the Free Industrial Zone. As some of our employees park on the roadside due to the limited parking lots within the factory premises, the facilities team have creatively added more than 20 parking lots which would ensure that all employees have a parking spot within the premises. If there is still a need for the employee to park outside due to unforeseen circumstances, they would be provided with a parking coupon.

Workforce Diversity (SDG 5)

Globetronics believes in tapping the resources of a diverse workforce that utilizes the unique gift of each individual. Presently our workforce is made up of multiple nationalities that include Malaysians, Indonesians, Filipinos and Nepalese and we have a male to female ratio of 23 : 77. We are also proud to say our leadership is also balanced, with women making 31% of positions of manager and above.

Women Percentage	
Overall workforce	77%
Management	31%
Board	22%

Our recruitment process is based solely on merit and the qualification of the candidates, and our remuneration policy assures that no pay distinctions are made in regards to gender or ethnicity in all our subsidiaries.

The various ethnic groups are respected and harmony is promoted with the celebration of the various cultural festivals in Malaysia together. For Year 2019, we had 3 celebrations which are Chinese New Year, Hari Raya Aidilfitri and Deepavali with good response and participation from all employees.

Human Rights

Globetronics is committed to upholding and respecting human rights of all employees, and we have published human rights policies of notice boards with indicators being reviewed on a monthly basis. We are in compliance with the relevant law and regulations for our operations, and some of our human rights commitment are as follows:

- Freely chosen labor: no forced labor or slavery, original travel documentation held by employees.
- Avoidance of child labor: no hiring persons under 18 years of age.
- Non-discrimination: Hiring based on merit, no harsh and inhumane treatment.
- Policies against sexual harassment, fraud, bribery and corruption with proper reporting channels.

We had an independent sustainability audit conducted by Zumbotel Group on behalf of our customer in July 2019. The audit represented a good independent review of our sustainability efforts as area covered were wide and included:

Ethics	-	Business integrity, code of conduct, fair business, responsible sourcing.
Labor	-	Freely chosen employment, child labor avoidance, working hours, freedom of association, non-discrimination.
Health and Safety	-	Occupational safety, emergency preparedness and response, injury and illness, machine safeguarding, dormitory and canteen.
Environment	-	Permits, pollution prevention, energy usage, product content restrictions, hazardous substances, wastewater and solid waste, noise and air emission.

Result shows that we are on the right track with a good score on our sustainability front, scoring an A for the audit.

Social contributions and community projects

As a home grown Malaysian company, we are aware of how important it is to build up the local community and to provide opportunities for the upcoming generation to succeed. The focus of our social contributions is directed on the basis of achieving current impactful goals to community building and nation through the sponsorship of relevant initiatives and programs.

With Penang becoming an increasingly important technology hub in the region, we have put more focus in playing our part to create technology interest and talent

Sustainability Statement (cont'd)

pool needed to support the companies and industries operating in Penang. This can been seen through our social focus that is geared toward related areas like promoting Science, Technology, Engineering and Mathematics ("STEM") and Penang Tech Centre, along with the sharing and participation in relevant technology forums.

In Year 2019, we were actively involved and contributed in various community and education projects:

6 partnership and sponsorship projects being carried out in Year 2019, namely,

* Sponsorship of RM10,000 to Penang Tech Centre for the GLO Walk 2019.
* Sponsorship of RM12,000 to Penang STEM for the STEM Carnival 2019.
* Sponsorship of RM1,000 to Konsulate General of Penang for the Merdeka Celebration for Indonesian community in Penang.
* Sponsorship of RM2,000 to Penang STEM for the "Future Engineering Development" summit.
* Sharing on Technology Roadmap and SME Opportunities in Industry 4.0 @ MTDC Technology Conference and Exhibition 2019.
* Scholarship Program:
    - Sponsorship of RM60,000 to 1 Malaysian student studying Electronics Engineering in Volgograd State Technical University, Russia. Target to complete the Degree program in July 2020.

Overall, we aim to bring a balanced but targeted approach in supporting our local community from the contributions to various local societal organizations and academia to make the community we operate in a better place.

Sponsorship to Penang STEM for the STEM Carnival 2019

Sponsorship to Penang STEM for the "Future Engineering Development" summit.

Sharing on Technology Roadmap and SME Opportunities in Industry 4.0 @ MTDC Technology Conference and Exhibition 2019

Sponsorship to "Konsulate Indonesia of Penang" for their Indonesia Merdeka Celebration 2019


Sponsorship to Penang Tech Centre under the Glo-Walk fund raising project

Audit and Risk Management Committee Report

From left: Ms. Lam Voon Kean, Dato' Syed Mohamad Bin Syed Murtaza, Ms. Ong Huey Min

The ARMC of Globetronics Technology Bhd ("GTB") is pleased to present the ARMC Report for the financial year ended 31 December 2019 in compliance with Paragraph 15.15 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

ARMC was established to serve as a committee of the Board and is guided by its terms of reference in performing their duties and discharging their responsibilities. The terms of reference of ARMC can be viewed at the Company's website at www.globetronics.com.my.

COMPOSITION AND MEETINGS

ARMC members and details of attendance of each member at the ARMC meetings held during the year are as follows:

	Number of Meetings	
Members	**Held**	**Attended**
Dato' Syed Mohamad Bin Syed Murtaza Chairman/Independent Non-Executive Director	6	6
Ms. Lam Voon Kean Independent Non-Executive Director	6	6
Ms. Ong Huey Min Independent Non-Executive Director	6	6

Ms Lam Voon Kean and Ms Ong Huey Min are members of the Malaysian Institute of Accountants. The ARMC, therefore, meets the requirements of Paragraph 15.09(1)(c) of the MMLR which stipulate that at least one (1) member of the ARMC must be a qualified accountant.

Audit and Risk Management Committee Report (cont'd)

Summary of the work of the ARMC
In line with the terms of reference of the ARMC, the work carried out by the ARMC in the discharge of its functions and duties for the financial year ended 31 December 2019 are as follows:

Financial Procedures and Financial Reporting
Reviewed the following Group financial statements and made recommendations to the Board for approval of the same:

Date of ARMC Meeting	Quarterly Results/Financial Statements Review
25 February 2019	Unaudited fourth quarter results of the Group for the financial year ended 31 December 2018
30 April 2019	Unaudited first quarter results for the period ended 31 March 2019
31 July 2019	Unaudited second quarter results for the period ended 30 June 2019
29 October 2019	Unaudited third quarter results for the period ended 30 September 2019

The review of the unaudited quarterly financial results is to ensure the disclosures are in compliance with the Malaysian Financial Reporting Standards ("MFRS") 134-Interim Financial Reporting and latest requirement of applicable disclosure provisions in the MMLR.

The ARMC had also reviewed the audited financial statements of the Company and the Group for the financial year ended 31 December 2019 which covers the financial position and performance for the year and ensured it complied with all disclosures and regulatory requirements and recommended the audited financial statements to the Board for approval.

Internal Audit
- Reviewed and approved the internal audit plan;
- Reviewed and reported the adequacy of the scope, functions and resources of the internal audit function and that it had the necessary authority to carry out its duties;
- Reviewed the results of the Group's internal audit procedures and the adequacy of actions taken by the management based on the reports; and
- Reviewed any appraisal or assessment of the performance of the internal audit function and approved any appointment or termination of the internal audit staff.

External Audit
- Reviewed with the external auditors, the audit plan, scope of the audit and the areas of audit of the Company/Group;
- Reviewed with the external auditors, their evaluation of the system of internal controls and audit findings;
- Discussed problems and reservations arising from the audit, and any other matters the auditors had wished to discuss;
- Reviewed the auditors' report;
- Met with the external auditors twice without the presence of the Management to review and discuss on key issues within their duties and responsibilities. There were no major concerns raised by the external auditors at the meetings;
- Reviewed and reported the assistance given by the Company's/Group's Officers to the external auditors and the overall conduct of the audit;
- Reviewed and approved the audit and non-audit fees on services provided by external auditors. The amount of audit and non-audit fees are disclosed in the Additional Compliance Information on page 46;
- Assessed the independence of the external auditors and obtained written assurance from them stating their independence throughout the audit in accordance with all relevant professional and regulatory requirements; and
- Performed an evaluation on the suitability and independence of the external auditors. ARMC was satisfied the work performed based on the firm capabilities, professional team assigned, proposed methodology, independence and timeline. Accordingly, it had affirmed the suitability and independence of the external auditors and recommended to the Board to re-appoint KPMG PLT as the Auditors as well as proposed audit fees for approval.

Financial Reporting
- Reviewed the annual audited financial statements of the Company/Group and quarterly results of the Group, and thereafter submit them to the Board for approval, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Significant and unusual events; and
  - Compliance with accounting standards and other legal requirements.
- Ensured publication of annual audited financial statements.

Audit and Risk Management Committee Report (cont'd)

Risk Management
- Reviewed the adequacy and effectiveness of risk management and internal control systems instituted within the Group.
- Provided oversight and direction to the risk management process, specifically to:
  - ensure that appropriate risk management policies, guidelines and processes are implemented;
  - consider whether response strategies (and contingency plans) to manage or mitigate material risks are appropriate and effective given the nature of the identifiable risks; and
  - evaluate the risk profile and risk tolerance of the Group

Related Party Transactions
Reviewed the related party transactions that had arisen within the Company or the Group and the disclosure of such transactions in the Annual Report.

Other Functions
Reviewed the ARMC Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement and Corporate Governance Report in the spirit of the new corporate governance framework to promote greater internalisation of corporate governance culture and greater transparency before submitting for the Board's approval and inclusion in the Annual Report.

Summary of the work of the Internal Audit Function
The ARMC is assisted by an in-house Internal Audit function in discharging its duties and responsibilities. The Internal Audit function reports directly to the ARMC. The Internal Audit function conducts regular and systematic reviews of the key controls and processes in the operating units of the Group and assesses compliance with the established policies and procedures. This provides reasonable assurance that such systems would continue to operate satisfactorily and effectively in the Group. In addition, the Internal Audit function also conducts investigations and special reviews at the request of the Management and ARMC.

On a quarterly basis, the Internal Audit function submits the audit reports on their activities to the ARMC for its review and deliberation. The internal audit findings are presented in the ARMC meetings and appropriate recommendations are made on any areas of concern within the Company and the Group for the ARMC's deliberation.

The following were the activities carried out by the internal audit function for the financial year ended 31 December 2019:
- Reviewed updated risk management framework, action plans and activities performed especially on those defined as key principal risks.
- Reviewed the proposed amendment on GTB Board Charter, terms of reference of Board Committees namely ARMC, Nomination Committee ("NC"), Employee Share Options Scheme ("ESOS") committee, and Remuneration Committee ("RC"), terms of reference of Business, Operations and Risk Review Committee ("BORCC"), terms of reference of the Environment, Social, Governance ("ESG") Committee and Sustainability Policy before submitting for the Board's approval.
- Reviewed the progress update on the ESG Sustainability Report.
- Assessed financial impact arising from new accounting standards, amendments, and interpretation of the Malaysian Financial Reporting Standards ("MFRSs") specifically MFRS 16.
- Reviewed and assessed the Corporate Liability Provision (Section 17A of Malaysian Anti-Corruption Commission Act) and identified adequate procedures to be put in place prior to the provision comes into force.
- Internal audit review:
  (a) Reviewed and audited purchasing and store receiving functions in one of the divisions in Penang operation;
  (b) Reviewed on human resources system on foreign workers' resignation in one of the Penang's subsidiaries;
  (c) Reviewed on Special Voluntary Disclosure Program of the Group and income tax incentive of one of the subsidiaries;
  (d) Reviewed on the winding down activities in one of the divisions in Kuala Lumpur operations; and
  (e) Reviewed the progress status update on Information Technology infrastructure and security enhancement of the Company and the Group.

During the financial year ended 31 December 2019, the total cost incurred for the internal audit function was RM190,000.

Audit and Risk Management Committee Report (cont'd)

Trainings Attended by the ARMC

During the year under review, the ARMC attended the following conferences and seminars:

Name of Director	Conference/Seminar/Workshop	Presenter/Organiser	Date
Dato' Syed Mohamad Bin Syed Murtaza	Corporate Liability on Corruption: Is your Organization Ready to safeguard its directors, top management and personnel against a Corruption Prosecution	Malaysian Institute of Corporate Governance (MICG)	18 July 2019
	Corporate Liability Provision-MACC Amendment Act 2018	Boardroom Corporate Services Sdn Bhd	19 July 2019
	Preparation For Corporate Liability on Corruption - Safeguarding the Group, Director, Management against Corruption Prosecution	Master-Pack Group Berhad	20 September 2019
	Islamic Markets 2019	Securities Commission Malaysia	17 October 2019
	Budget 2020 Highlights	In-house	29 October 2019
	Business Ethics and Integrity Enhancing Business Success through Ethical Practice	Federation of Malaysian Manufacturers (FMM)	4 December 2019
Ms. Lam Voon Kean	Sustainability Reporting Workshop for Practitioners (Preparers of Sustainability Statement/Report)	Bursa Malaysia	4 to 5 March 2019
	MFRS Application and Implementation Committee Awareness Programme	Malaysian Accounting Standards Board	25 September 2019
	MFRS 16, Leases Seminar	KPMG	24 October 2019
	Budget 2020 Highlights	In-house	29 October 2019
	Audit Oversight Board - Conversation with Audit Committees	Securities Commission Malaysia	8 November 2019
Ms. Ong Huey Min	Corporate Liability Provision-MACC Amendment Act 2018	Boardroom Corporate Services Sdn Bhd	19 July 2019
	National Tax Conference 2019	Chartered Tax Institute of Malaysia (CTIM)	5 to 6 August 2019
	MFRS Updates 2019/2020 Seminar	KPMG	25 October 2019
	Budget 2020 Highlights	In-house	29 October 2019
	KPMG Tax Summit 2020	KPMG	12 November 2019
	2020 Budget Seminar	Chartered Tax Institute of Malaysia (CTIM)	21 November 2019

Annual Performance Assessment

The Board performs an annual assessment of the ARMC's effectiveness in carrying out its duties as set out in the terms of reference. The Board is satisfied that the ARMC has effectively discharged its duties in accordance with its terms of reference. The Board Effectiveness Assessment 2019 further commended that the ARMC has the right composition and sufficient relevant skills and expertise.

Corporate Governance Overview Statement

Corporate Governance Overview Statement is prepared pursuant to paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Malaysian Code on Corporate Governance ("MCCG") 2017 issued by Securities Commission Malaysia. This statement gives the shareholders an overview of the corporate governance practices of the Company during financial year 2019.

This Corporate Governance Overview Statement is to be read together with the Corporate Governance ("CG") Report which provides a detailed application for each practice as set out in MCCG 2017. This CG Report is available for reference at the Company's website, www.globetronics.com.my, as well as on Bursa Malaysia Berhad's website, www.bursamalaysia.com.

The Board of Directors ("Board") of Globetronics Technology Berhad ("GTB") is committed to practice the highest standards in corporate governance throughout the Group. The Board believes that good governance supports long-term value creation. GTB has in place a set of well-defined polices to enhance corporate governance, as well as to protect the interest of the stakeholders.

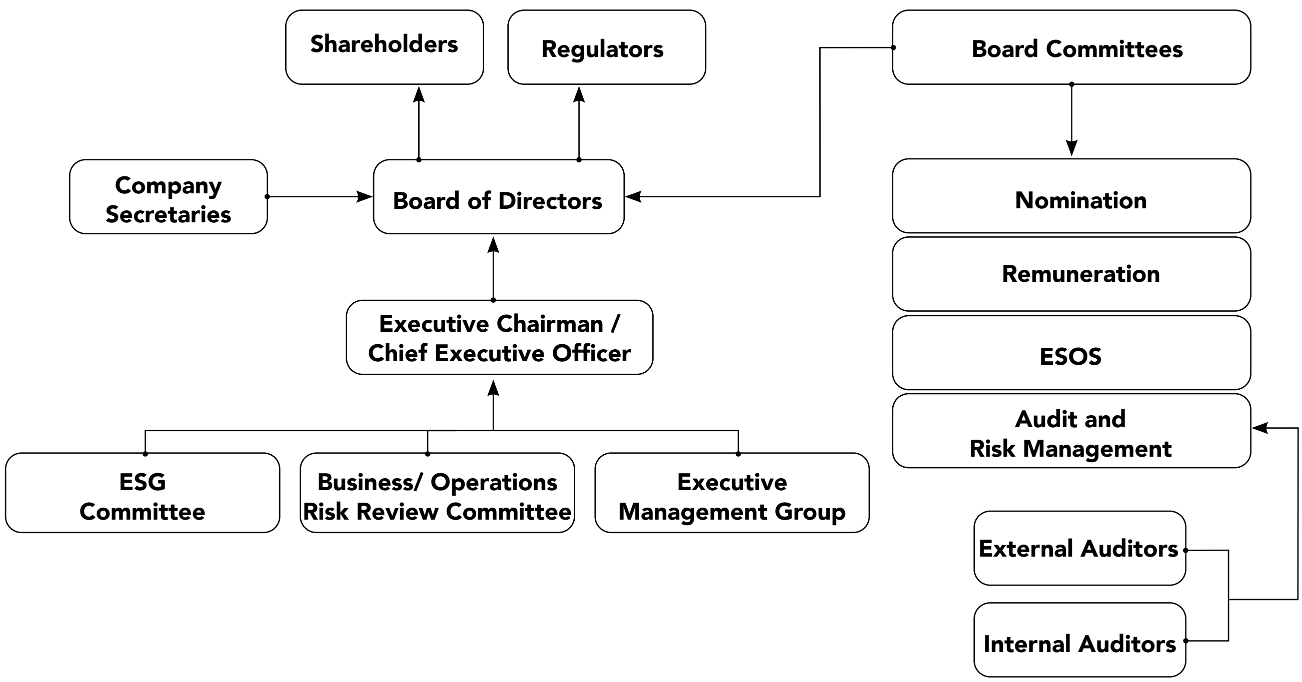
This statement together with CG Report demonstrates the Board's commitment in sustaining high standards of corporate governance and outlines the extent the Group has complied with the principles set out in MCCG 2017 with regards to the recommendations stated under each principle for the year under review.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board provides entrepreneurial leadership of the Group and is collectively responsible for setting policies, which ensure that the Group's objective and performance targets are met. There is a division of functions between the Board and the Management, whereby the former's focus lies more on the Company's governance; the latter on management in accordance with the direction of and delegation by the Board. Thus, the Board leads the Group and plays a strategic role in overseeing the overall activities of the Management in carrying out the delegated duties in achieving the Group's corporate objectives and long term strategic plans of the business. The below Group Governance Framework is established to ensure that the responsibilities and duties are discharged effectively.

The Group's Governance Framework



Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (con't)

The Chairman is responsible for leadership of the Board and is pivotal in creating the conditions for overall Board, Board Committee and individual director effectiveness. The Board supports the practice of separate individuals for the Chairman and CEO positions to ensure the effective functioning of the Board and appropriate balance of power and authority which is stated in the Board Charter. The Board Charter sets out the roles and responsibilities of the Board, composition and matters related to Board. The Board Charter was reviewed and updated in July 2019 to be in line with MCCG 2017, MMLR and Companies Act 2016 requirements.

The Board had established the Principles of Business Conduct to ensure integrity is in practice at all times throughout the organization. The Board also provided an avenue for employees to report their genuine concerns of any unlawful or unethical situations or any suspected violation of the Principles of Business Conduct through its Whistleblowing Policy.

The details of the Board Charter, Principles of Business Conduct and Whistleblowing Policy are set out in CG report and the policies are available for reference at the Company's website, www.globetronics.com.my.

With the amendment to the Malaysian Anti-Corruption Commission ("MACC") Act 2018 whereby corporate liability provision under Section 17A will come into force on 1 June 2020, the Board will focus on the implementation of the procedures outlined in the "Guidelines on Adequate Procedures", which include establishment of Anti Corruption and Bribery Policy, enhancement of Principles of Business Conduct and Whistleblowing Policy, assessment of potential risk area and control measures as well as training and communication of the Group's anti-corruption policy to all employees and business associates. This is to ensure good standards of ethical behaviour flow through all levels of the Group to prevent unethical practices and consequently, support the delivery of long-term sustainable success of the Group.

In order to ensure effective discharge of its duties, the Board has delegated certain functions and responsibilities to the following Board Committees:

- Nomination Committee ("NC");
- Remuneration Committee ("RC");
- Audit and Risk Management Committee ("ARMC"); and
- Employee Share Options Scheme ("ESOS") Committee.

All Board Committees will report to the Board on matters deliberated and the Board is ultimately responsible for the decision making. Each Committee operates within its respective defined Terms of Reference ("TOR") which have been approved by the Board. The TOR for these committees were also reviewed and updated in July 2019 as part of continuous efforts in enhancing governance.

To assist in fulfilling their duties, procedures are in place for the board members to seek independent advice and services of the Company Secretaries who are responsible for advising the Board on governance matter. The Company Secretaries have years of working experience with sufficient skills, knowledge and resources in advising the Board on governance and regulatory matters.

II. BOARD COMPOSITION

The Board recognizes the importance of boardroom diversity and the practice of the MCCG pertaining to the establishment of a diversity policy in skills, experiences, knowledge, age, gender, ethnicity and educational background. The Board has in place its Diversity Policy and it is available for reference at the Company's website, www.globetronics.com.my.

The details of directors' background, experiences and qualifications are set out on pages 6 to 11 under the Profile of Directors of the Annual Report.

The overview of the Board composition, balance and diversity as of 31 December 2019 is as the below:

Gender Diversity		Race/Ethnicity Diversity		Age Group Diversity		Board Experience	
Male	78%	Malay	33%	70 years and above	22%	Multinational/International	89%
Female	22%	Chinese	67%	61-69 years	56%	Science/Engineering/Bio industry	67%
				60 years and below	22%	Accounting/Finance/Economic	67%
						Public/Legal/Regulatory Affair	44%

Note: Under the Board Experience, individual Directors may fall into one or more categories.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (cont'd)

The Board is assisted by Nomination Committee ("NC") in discharging its responsibilities by overseeing the selection and assessment of Directors to ensure that the Board's composition has an appropriate mix of skills, experience, knowledge, age and gender. The Committee meets when necessary. For the financial year ended 31 December 2019, one (1) NC meeting was held.

In terms of independence, the Board recognizes the MCCG's recommendation that the service tenure of an Independent Non-Executive Director, does not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Non-Executive Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director or seek shareholders' approval in the event the director is retained as an Independent Non-Executive Director.

NC reviewed and assessed the independence of Independent Directors and their tenure of service. All Independent Directors have not served a cumulative term exceeding nine (9) years. One of the directors, Dato' Syed Mohamad Bin Syed Murtaza would be reaching his 9th year of service in 17 May 2020." Following an assessment and recommendation by the NC, the Board concluded that Dato' Syed Mohamad Bin Syed Murtaza had remained independent and pursuant to Practice 4.2 of the MCCG, the Board will seek approval from the shareholders of the Company at the forthcoming AGM to support the Board's decision to retain him as an Independent Non-Executive Director of the Company until the conclusion of the next AGM based on the following justifications:-

(i) he fulfilled the criteria under the definition of Independent Director as stated in the MMLR of Bursa Malaysia, and being independent, he will be able to function as a check and balance, bring an element of objectivity to the Board.

(ii) he remains objective and independent in expressing his views and participating in deliberations and decision-making process of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company.

(iv) he has exercised due care during his tenure as an Independent Non-Executive Director of the Company as well as the Chairman of ARMC and member of NC and ESOS Committee and he has carried out his professional duties proficiently in the interests of the Company and the shareholders.

Length of service of Independent Non-Executive Directors is as below:

Directors	Date of Appointment	Length of Service (Years)*
Dato' Syed Mohamad Bin Syed Murtaza	18-May-11	9.0
Dato' Iskandar Mizal Bin Mahmood	16-May-12	8.0
Mr. Yeow Teck Chai	16-May-12	8.0
Ms. Lam Voon Kean	15-May-13	7.0
Ms. Ong Huey Min	23-Oct-17	2.6

* as at 14 May 2020

NC also recommended the re-appointment and re-election of Directors at the AGM to the Board for its approval. Directors are subject to retire by rotation at least every 3 years. Retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM. The Directors are Dato' Norhalim Bin Yunus, Mr. Yeow Teck Chai and Ms. Lam Voon Kean.

The Company's Constitution also provides that any Director appointed during the year is subject to retire and seek re-election by the shareholders at the forthcoming AGM immediately after his/her appointment. There is none for this year.

NC together with the Board continues to evaluate and determine the training needs of Directors by identifying and encouraging Board members to attend various external professional training programs relevant and useful in contributing to the effective discharge of their duties. During the financial year ended 31 December 2019, the Directors had attended trainings covering a broad range of areas such as statutory regulations, corporate governance, financial reporting standards, financial planning, legal, and information technology. The details of trainings attended by each individual Director are as per disclosed in Practice 1.1 of CG Report.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (cont'd)

The Board, through NC, conducted an annual evaluation of the Board's effectiveness and composition, including the effectiveness of the Board Committees which were undertaken internally by way of written questionnaire. The results indicated that the Board and its Committees continued to operate effectively in discharging its duties and responsibilities. Going forward, areas that the Board would like to put more focus on are related to senior management succession planning, corporate integrity, strategic opportunities and mitigation initiatives in response to the economic uncertainty in the market within the purview of the company's risk appetite and sustainability matters in relation to the Group's business decision and strategies. It is the Board's intention to continue to review annually its performance and that of its committees.

III. REMUNERATION

Remuneration Committee ("RC")

The RC is responsible for recommending to the Board the remuneration packages for Directors as well as senior management. The RC has in place a Remuneration Policy on Directors and senior management with the aim to provide remuneration packages needed to attract, retain and motivate Directors and senior management of the quality required to manage the business of the Group and to align the interest of the Directors and senior management with those of the shareholders.

The Remuneration Policy is available for reference at the Company's website, www.globetronics.com.my.

None of the Executive Directors participated in any way in determining their individual remuneration. Executive Directors' remunerations are linked to their respective performance and subject to the approval of the Board.

The Board as a whole determines the fees for the services of Non-Executive Directors on an annual basis and fee revision once every 2 years based on the recommendation of the RC and subject to the approval of shareholders in the AGM. The Committee meets when necessary. For the financial year ended 31 December 2019, one (1) RC meeting was held.

The remuneration for the Board and Board Committees in the form of fees for the financial year under review are as follows:

Board/Board Committee	Chairman (RM/Year)	Member (RM/Year)
Board	116,000	116,000
Audit and Risk Management Committee	20,000	17,000
Nomination Committee	5,000	4,000
Remuneration Committee	5,000	4,000
ESOS Committee	5,000	4,000

The Non-Executive Directors are paid a meeting allowance of RM500 per day for each Board meeting and/or Board Committee meeting they attend.

Specific disclosure of Directors' remuneration and senior management's remuneration in relation to Practice 7.1 and 7.2 of the MCCG 2017 are provided in the CG report.

Employee Share Options Scheme ("ESOS") Committee

The ESOS Committee was established to assist the Board in their responsibilities to implement and administer the ESOS scheme in accordance with the By-laws of the ESOS. During the financial year under review, the Committee met and deliberated on the allocation of shares under ESOS to eligible employees of the Group.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board is responsible for assessing the integrity of the Group's financial information and the adequacy and effectiveness of the Group's internal control and risk management processes. The Board delegates these specific matters to the ARMC to assist in the discharge of its responsibilities.

I. AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

The ARMC comprises of three (3) Independent Non-Executive Directors. For the financial year ended 31 December 2019, six (6) ARMC meetings were held, and a summary of the activities of the ARMC including the internal audit function during the year under review is set out on pages 36 to 39 of the Annual Report.

In terms of appointment of ARMC member, it is an existing practice of ARMC to observe the cooling-off period of at least 2 years for a former key audit partner to be appointed as a member of ARMC as per stated in the terms of reference of ARMC.

Based on the External Auditors Policy, ARMC also reviewed the suitability, objectivity and independence of the external auditors. The review process covered the assessment and evaluation of their performance, quality of work, non-audit services provided and timeliness of services deliverables.

The Board performed an annual assessment of the Committee's effectiveness in carrying out its duties as set out in the terms of reference. The Board is satisfied that the Committee has effectively discharged its duties in accordance with its terms of reference. All members of ARMC are financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board recognizes the importance of risk management and internal controls in the overall management process. An ongoing process has been established for identifying, evaluating and managing risks faced by the Group. During the year, the Board considered the nature and extent of the risks it was willing to take to achieve its strategic goals. The Statement on Risk Management and Internal Control which provides an overview of the Group's risk management and internal control framework is set out on pages 47 to 49 of the Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Company remains committed to delivering high standards of corporate disclosure and transparency in our communications with shareholders, investors and stakeholder, except where commercial confidentiality dictates otherwise. The Company provides timely, regular, relevant and complete information regarding the Group's businesses and corporate developments. In this respect, the Company follows the Corporate Disclosure Guide and Best Practices as proposed by Bursa Malaysia. The details of the GTB Corporate Disclosure Policy and Procedures is available for reference at the Company's website, www.globetronics.com.my.

The Board's primary contact with all shareholders is via the Chief Financial Officer and Corporate Director, who have regular dialogue and meetings with institutional investors, analysts and fund investors periodically. The Chairman and the Chief Executive Officer, as appropriate, also meet with various institutional shareholders from time to time. The outcomes of the meetings are reported to the Board to ensure that the Board keeps in touch with shareholder views. For the financial year ended 31 December 2019, the management held and/or attended more than 50 meetings / roadshows with fund managers and analysts in Kuala Lumpur, Singapore, Hong Kong, Taipei, Tokyo and Shanghai.

The information published at the Company's website, www.globetronics.com.my and announcements made to Bursa Malaysia's website, www.bursamalaysia.com, are the key source of information for the shareholders and stakeholders. The Company's website also serves as a forum for the shareholder and stakeholders to communicate with the Company.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CON'T)

II. CONDUCT OF GENERAL MEETING

Annual General Meetings ("AGM")

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company. All shareholders are welcome to attend the AGM and are encouraged to take advantage of the opportunity to direct questions to members of the Board.

The Company distributed the Notice of 22nd AGM at least 28 days ahead in line with the CG practice providing sufficient time for shareholders to review the Notice of AGM and appoint proxies to attend the AGM if necessary. The Notice of AGM was also advertised in The Star newspaper for the benefit of shareholders.

At the 22nd AGM of the Company held on 8 May 2019, all members of the Board were present and the Chairman of the Board chaired the meeting in an orderly manner and allowed the shareholders or proxies the opportunity to speak at the meeting.

The Chairman presented an overview of the Company's results and prospects at the AGM prior to the commencement of the formal business of the meeting. Members of the Board and management were present at the meeting to respond to the questions raised by the shareholders or proxies in relation to the operational and financial performance of the Group. Shareholders had actively taken the opportunity to raise questions on the current and future business development of the Company. Press interviews were done after the AGM where the Board members/CEO answered questions in relation to the Group's operations and prospects.

In line with good CG practice, the Company had implemented electronic poll voting and would continue this practice for greater transparency and efficiency in the voting process. The Company continues to explore the leveraging of technology, to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

The Corporate Governance Overview Statement was approved by the Board of Directors on 14 May 2020.

Additional Compliance Information

1. Meetings Attendance Record for 2019

Directors' attendance record at the AGM, scheduled Board meetings and Board committee meetings, for the year ended 31 December 2019 is as set out in the table below. For Board and Board committee meetings, attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

		Annual General Meeting	Board		Audit and Risk Management Committee ("ARMC")		Nomination Committee ("NC")		Remuneration Committee ("RC")		Employees Share Option Scheme ("ESOS") Committee	
Directors	Independence		Membership	Attendance	Membership	Attendance	Membership	Attendance	Membership	Attendance	Membership	Attendance
Mr Michael Ng Kweng Chong	Non-Independent	√	Chairman	5/5								
Dato' Heng Huck Lee	Non-Independent	√	CEO	5/5								
Dato' Syed Mohamad Bin Syed Murtaza	Independent	√	Member	5/5	Chairman	6/6	Member	1/1			Member	1/1
Dato' Norhalim Bin Yunus	Non-Independent	√	Member	5/5					Member	1/1		
Dato' Iskandar Mizal Bin Mahmood	Independent	√	Member	5/5			Chairman	1/1	Member	1/1		
Mr. Yeow Teck Chai	Independent	√	Member	5/5			Member	1/1	Chairman	1/1		
Ms. Lam Voon Kean	Independent	√	Member	5/5	Member	6/6					Chairwoman	1/1
Mr. Ng Kok Khuan	Non-Independent	√	Member	5/5							Member	1/1
Ms. Ong Huey Min	Independent	√	Member	5/5	Member	6/6						

The following information is provided in accordance with Paragraph 9.25 of Bursa Malaysia Securities Berhad Main Market Listing Requirements as set out in Part A of Appendix 9C.

2. Utilisation of Proceeds Raised from Corporate Proposals

There were no proceeds raised from corporate proposals.

3. Audit and Non-Audit Fees

The amount of audit fees paid or payable to the external auditors, KPMG PLT, for services rendered to the Company and the Group for the financial year ended 31 December 2019 amounted to RM31,000 and RM187,000 respectively.

The amount of non-audit fees paid or payable to the external auditors, KPMG PLT and its affiliates, were only for the services rendered to the Company for the financial year ended 31 December 2019 amounted to RM13,900.

4. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interest either still subsisting at the end for the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors of Globetronics Technology Bhd is pleased to provide the following Statement on Risk Management and Internal Control ("Statement") pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The Board is guided by the Statement on Risk Management and Internal Control-Guidelines for Directors of Listed Issuers in making disclosures concerning the main features of the Risk Management Framework and Internal Controls System of the Group and is committed to fulfilling its responsibility of maintaining a sound system of risk management and internal control in the Group. The Statement outlines the nature and state of risk management and internal control of the Group during the year.

BOARD RESPONSIBILITY

The Board recognises the importance of risk management framework and a sound system of internal control to good corporate governance practices. The Board affirms its overall responsibility for the Group's systems of risk management and internal controls, and for reviewing the adequacy and effectiveness of those systems. In view of the inherent limitations in any system of internal controls, the systems are designed to manage, rather than eliminate the risk of failure to achieve the goals and objectives of the Group. In pursuing these, internal control can only provide reasonable rather than absolute assurance against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations.

The Group's system of risk management and internal control involves the management and staff from each business units of its respective subsidiaries. The Board is responsible for determining key strategies for significant risks and control issues, whilst Functional Managers of the subsidiaries are responsible to implement the Board's strategies effectively by designing, operating and monitoring the control processes and managing risks.

KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT

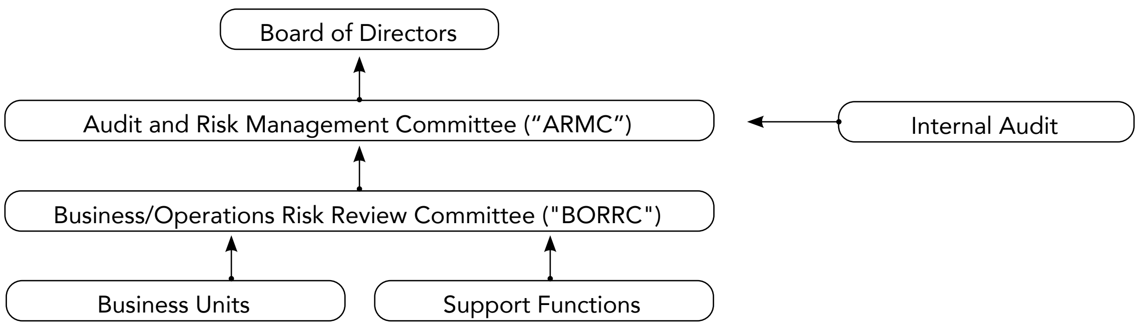
Risk Management Framework

GTB has established an Enterprise Risk Management ("ERM") Framework in line with Committee of Sponsoring Organizations of the Treadway's Commission ("COSO") ERM framework. This serves as a platform to provide guidance in identifying and managing risk pertaining to the Group's goals and objectives. The Framework is summarised as follows:

- Key principles of Risk Management Framework;
- Approach and process in identifying, assessing, responding, monitoring and reporting of risks and controls; and
- The roles and responsibilities of each level of management in the Group.

The assessment of business risks is carried out primarily by the Executive Directors and/or BORRC through their participation in management meetings, desktop reviews, deliberation or communication with key management staff to ensure the adequacy and integrity of the system of internal control. These initiatives would ensure that the Company and the Group have in place an ongoing process to identify measures to manage the significant risks affecting the achievement of its business objectives.

The process includes systematic activities of risk identification, risk assessment and measurement, risk response and action, monitoring and reporting. The Group's risk management structure to assign responsibility for risk management and facilitate the process for assessing and communicating risk issues from transactional levels to the Board is summarised in the diagram below:



Statement on Risk Management and Internal Control (con't)

KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT (CON'T)

Risk Management Framework (con't)
During the financial year, the Group under its review of risk management has identified fourteen key risks in relation to operational, financial and compliance risks and the Group has evaluated the potential impact of these risks. The Risk Register was updated, and meetings were held to communicate and deliberate the issues or risks and where appropriate, the control systems and action plans were implemented and taken to ensure the continuous risk mitigation and risk management.

The principal risks for the financial year 2019 have been reviewed by the Board of Directors and are as follows:

Operational Risk
In the Group's line of business, the Group's performance is highly dependent on customers' performance. The fluctuations in their operations would have an impact on the Group's operations. Therefore, one of the key roles of senior management team is to be on the lookout for ways to manage these risks, monitor the performance of the customers and build relationships with customers.

Financial Risk
The Group is exposed to financial risks relating to credit, liquidity, interest rates, foreign currency exchange rate and equity prices. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are set out in Note 27 to the financial statements on pages 113 to 126.

Compliance Risk
The Group's business is governed by relevant laws, regulations and standards. There are frequent changes and updates to the regulations and standards from time to time and there may be a risk/exposure of non-compliance. The Group keeps themselves informed of such changes by receiving/subscribing to e-mail alerts and written materials from governing bodies and professional bodies and also attending seminars and training to keep themselves armed with knowledge of the latest developments.

Investment Risk
One of the Group's strategic initiatives is to create additional revenue streams by venturing into new business or expanding existing business. Nonetheless, the Group recognises the risk and repercussions involved in poor investment decisions and the management of these new business. To manage this risk, all new business proposal and additional investments would need to be tabled for Board's discussion, review and approval. Further to that, a start-up team are put together to manage the start-up and to ensure successful transition from start-up to mass production.

Cyber Risk
The current business environment is globally interconnected, thus increasing the organisation's exposure to cyber threats. To manage this risk, controls have been put in place to manage and protect the confidentiality, integrity and availability of data and critical infrastructure. Amongst others, adequate IT industrial standard network security layer equipment, encryption protocols, virus scanning tools and application are being put in place to protect and secure the accessibility to the Group's IT environment. The Group will continue its focus in this area to enhance its IT infrastructure.

Governance and Integrity Risk
The Group holds strongly to our key value of integrity at all times to ensure high ethical standards and good corporate governance are maintained. We believe that sound corporate governance is a key success factor when conducting business in a global, highly competitive, regulated and changing market. The Group's Principles of Business Conduct sets out rules and guidelines on how personnel acting for or on behalf of the Group are expected to conduct business. In view of Corporate Liability Provision under Malaysia Anti-Corruption Act coming into force on 1 June 2020, the Group will focus on maintaining and further enhancing corporate governance standards to support the Group's business integrity and ethical conduct.

Economic Risk
Changes in the regional and global economic conditions, such as trade tensions and other global headwinds that resulting in the uncertainties and volatilities in the economic environment, may have an adverse effect on the demand of the semiconductor services or components, and hence on the Group's financial performance and operations. The Group manages these economic risks through keeping ourselves abreast with the economic and market development, maintaining good relationship with customers and closely following latest news on customers' products performance and business as well as continuously seeking new businesses or products to grow the Group.

Board Meetings
The Board meets at least quarterly and has a formal agenda on matters for discussion. The Founder and Executive Chairman, together with the Chief Executive Officer, lead the presentation of board papers and provide explanation on pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Company's and the Group's activities on a regular basis.

Management Meetings
Annual strategic planning meetings are held before the beginning of the financial year whereby the Group's yearly strategies, objectives, key results and its measurement are finalised between the Executive Directors and the key management team of the respective major subsidiaries, for organization calibration and alignment purposes.

Statement on Risk Management and Internal Control
(con't)

KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT (CON'T)

Management Meetings (con't)
Bi-monthly management meetings are held to identify, discuss and resolve operational, financial and key management issues. The meetings are attended by the Chief Executive Officer, Business and Operation Directors, key managers and key relevant staffs in which the meeting serves as a platform whereby the Group's goals, objectives and key results are continuously communicated and reinforced with potential risk areas identified, evaluated and managed.

Business Review Meetings
Monthly business review meetings are carried out at the major subsidiaries with meetings attended by the Executive Directors, Chief Financial Officer, its various Business and Operation Directors and Finance Managers. The Business and Operation Directors will lead the discussion/ presentation on the various areas such as monthly profit and loss for its key product lines, comparison of its actual monthly/year-to-date results versus forecast, business planning and strategies, productivity/improvement plans and others for the respective major subsidiaries of the Group.

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority
There is an organisational structure with formally defined responsibility lines and authorities to facilitate timely response to changes in the evolving business environment and accountability for operational performance. Capital and noncapital expenditures, acquisition and disposal of investment are subject to appropriate review by the Management, and if required, approval by the Board.

Performance Management Framework
Management reports are generated on a regular and consistent basis to facilitate the Board, the Company's and the Group's Management to perform financial and operational reviews on the various key operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results, effectiveness of the processes and its internal control system and compliance with laws and regulations.

Operational Policies and Procedures
The documented policies and procedures form an integral part of the internal control system to safeguard the Company's and the Group's assets against material losses and seek to ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

Integrity and Ethical Values
The Board and Executive Management set the tone at the top for corporate behaviour and corporate governance. All employees of the Group shall adhere to the guidelines as set out in the Principles of Business Conduct which sets out the principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing within the Group and with external parties. The Group's Principles of Business Conduct covers areas such as compliance with respect to local laws and regulations, anti-corruption and bribery, gift, donations, business conduct, conduct in the workplace, protection of the Group's assets, conflict of interest and confidentiality.

Group Internal Audit
The Internal Audit Function, which reports to the ARMC, conducts reviews on the systems of risk management and internal control that the controls are in place to identify, manage and evaluate risks. The routine reviews are being conducted on business units/divisions under the Group's major core activities.

Significant findings, recommendations for improvement and management responses were reported to the ARMC, with periodic follow-up on the implementation of action plans. The Management is responsible for ensuring that remedial actions were implemented accordingly.

The internal control systems discussed in this Statement do not apply to the associated company which falls under the control of its major shareholders. Nonetheless, the interest of the Group is safeguarded through our representatives on the Board of the associated company.

REVIEW OF STATEMENT BY THE BOARD

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report. The Board is of the view that the system of risk management and internal control instituted by the Group is sound and effective and there were no material losses incurred during the year under review as a result of internal control weaknesses or adverse/ non-compliance events. The monitoring, review and reporting arrangement in place give reasonable assurance that the operation of controls is appropriate for the Group's operations.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer 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.

Reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the system of risk management and internal control, so as to safeguard shareholders' investments and the Group's assets.

This Statement on Risk Management and Internal Control was approved by the Board of Directors on 14 May 2020.

Directors' Responsibility Statement
for the Audited Financial Statements

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act 2016 to prepare financial statements for the financial year so that to give a true and fair view of the state of affairs of the Company and Group and their results and cash flows for that year. In preparing the financial statements for the financial year ended 31 December 2019, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act 2016. They have an overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

The ARMC assists the Board in reviewing and scrutinizing the information in terms of accuracy, adequacy, transparency and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards. The ARMC reviewed the quarterly and annual audited financial statements of the Group prior to recommendation of the same to the Board for approval and submission to Bursa Malaysia.

Directors' Report
for the year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is an investment holding company whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

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

Results

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	44,714	49,894

Reserves and provisions

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

Dividends

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

(i) In respect of the financial year ended 31 December 2018 as reported in the Directors' Report of that year :

- a third interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 2.0 sen per share, totalling RM20,072,566 declared on 26 February 2019 and paid on 26 March 2019.

(ii) In respect of the financial year ended 31 December 2019 :

- a first interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 1.0 sen per share, totalling RM13,382,452 declared on 29 May 2019 and paid on 2 July 2019;
- a second interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 1.5 sen per share, totalling RM16,736,116 declared on 1 November 2019 and paid on 4 December 2019; and
- a third interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 2.0 sen per share, totalling RM20,083,337 declared on 27 February 2020 and paid on 26 March 2020.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors' Report (cont'd)
for the year ended 31 December 2019

Directors of the Company

Directors who served during the financial year until the date of this report are :

Ng Kweng Chong	- Founder and Executive Chairman
Dato' Heng Huck Lee	
Ng Kok Khuan	
Dato' Norhalim Bin Yunus	
Dato' Syed Mohamad Bin Syed Murtaza	
Dato' Iskandar Mizal Bin Mahmood	
Yeow Teck Chai	
Lam Voon Kean	
Ong Huey Min	

Director of the subsidiaries

Director (other than the Directors of the Company) who served on the Board of subsidiaries of the Company during the financial year until the date of this report is as follows :

Ng Kok Choon

Directors' interests in shares

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

	Number of ordinary shares				
	At 1.1.2019	**Exercise of options**	**Bought**	**(Sold)**	**At 31.12.2019**
Interests in the Company					
Ng Kweng Chong					
- Own	6,979,165	–	–	–	6,979,165
- Others *	2,894,866	–	–	–	2,894,866
Dato' Heng Huck Lee					
- Own	1,804,600	–	–	–	1,804,600
- Others *	63,166	218,332	–	(55,000)	226,498
Ng Kok Khuan					
- Own	123,333	–	–	–	123,333
- Others *	223,160	–	–	–	223,160
Yeow Teck Chai					
- Own	146,813	–	–	–	146,813
- Others *	194,001	–	–	–	194,001

Directors' Report (cont'd)
for the year ended 31 December 2019

Directors' interests in shares (cont'd)

	Number of ordinary shares				
	At 1.1.2019	Exercise of options	Bought	(Sold)	At 31.12.2019
Interests in the Company (cont'd)					
Ong Huey Min					
- Others *	206,000	–	58,666	–	264,666
Deemed interests in the Company					
Ng Kweng Chong					
- Own	44,857,705	–	936,000	(10,961,500)	34,832,205

	At 1.1.2019	Granted	(Exercised)	(Expired)	At 31.12.2019
ESOS 2014 #					
Ng Kweng Chong					
- own	690,662	174,000	–	(864,662)	–
- others *	48,212	42,000	–	(90,212)	–
Dato' Heng Huck Lee					
- own	508,665	168,000	–	(676,665)	–
- others *	683,659	126,000	(218,332)	(591,327)	–

* These are shares held in the name of the spouses and children and are treated as interest of the respective Directors in accordance with the Companies Act 2016.

ESOS 2014 expired on 11 August 2019.

None of the other Directors holding office at 31 December 2019 had any interests in the shares and options over shares of the Company and of its related corporations during the financial year.

Directors' Report (cont'd)
for the year ended 31 December 2019

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 those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company or of a related corporation) 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, other than as disclosed in Note 26 to the financial statements.

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

Issue of shares and debentures

During the financial year, the Company issued :

(i) 354,022 new ordinary shares for cash arising from the exercise of employees share options at an exercise price of RM1.41 per ordinary share; and
(ii) 57,509 new ordinary shares for cash arising from the exercise of employees share options at an exercise price of RM1.78 per ordinary share.

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Option Scheme 2014 ("ESOS 2014").

At an extraordinary general meeting held on 20 May 2014, the Company's shareholders approved the establishment of an ESOS 2014 of not more than 10% of the issued share capital of the Company, to eligible Executive Directors and employees of the Group.

The salient features of ESOS 2014 are, *inter alia*, as follows :

i) The total number of shares to be offered under ESOS 2014 shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of ESOS 2014;

ii) ESOS 2014 shall continue to be in force for a period of five years from 12 August 2014;

iii) The option is personal to the grantee and is non-assignable, transferable, disposable or chargeable except for certain conditions provided for in the By-Laws;

iv) Eligible persons are full-time employees and Executive Directors of the Group who have been confirmed in the employment of the Group for at least three months prior to the date of offer, the date when an offer is made in writing to an employee to participate in ESOS 2014;

v) The option granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiple of 100 shares;

vi) The option price for each ordinary share shall be at a discount of not more than ten per centum (10%) of the 5-day weighted average market price of the shares, as quoted on Bursa Malaysia Securities Berhad ("Bursa") immediately preceding the date of offer, or such lower or higher limit in accordance with any prevailing guideline issued by Bursa or any other relevant authority as amended from time to time, whichever is higher;

Directors' Report (cont'd)
for the year ended 31 December 2019

Options granted over unissued shares (cont'd)

vii) In the event of any alteration in the capital structure of the Company during the option period, whether by way of capitalisation of profits or reserves, rights issues, reduction of capital, subdivision, consolidation of shares or otherwise (excluding the purchase by the Company of its own shares) howsoever, taking places, such corresponding alterations (if any) shall be made in the number of shares relating to the unexercised options and option price;

viii) The options granted do not confer any dividend or other distribution declared to the shareholders as at a date which precedes the date of exercise of the option and will be subject to all the provisions of the Constitution of the Company; and

ix) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

The options offered (under ESOS 2014) to take up unissued ordinary shares and the option exercise prices are as follows :

			Number of options over ordinary shares				
Date of offer	**Expiry date**	**Option exercise price**	**At 1.1.2019**	**Granted**	**(Exercised)**	**(Expired)/ (Forfeited)**	**At 31.12.2019**
14.08.2014	11.08.2019	4.77/2.04^	465,083	–	–	(465,083)	–
13.05.2015	11.08.2019	5.86/2.51^	1,208,436	–	–	(1,208,436)	–
26.10.2015	11.08.2019	6.18/2.64^	7,700	–	–	(7,700)	–
24.05.2016	11.08.2019	3.29/1.41^	554,844	–	(354,022)	(200,822)	–
20.10.2016	11.08.2019	3.90/1.67^	3,734	–	–	(3,734)	–
19.04.2017	11.08.2019	5.07/2.17^	1,821,000	–	–	(1,821,000)	–
25.10.2017	11.08.2019	6.32/2.70^	133,000	–	–	(133,000)	–
20.04.2018	11.08.2019	4.17/1.78^	2,372,368	–	(57,509)	(2,314,859)	–
25.10.2018	11.08.2019	2.07	111,500	–	–	(111,500)	–
25.04.2019	11.08.2019	2.06	–	2,277,200	–	(2,277,200)	–

^ Adjusted exercise price as a result of the subdivision and bonus issue during financial year 2018.

The aggregate maximum allocation of ESOS to Executive Directors and senior management of the Group shall not exceed 50%. The actual allocation of share options to Executive Directors and senior management was 28% as at 31 December 2019.

Indemnity and insurance costs

During the financial year, the cost of insurance effected for Directors and officers of the Group amounted to RM22,310.

There was no indemnity given to Directors, officers or auditors of the Group during the year.

Other statutory information

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

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

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

Directors' Report (cont'd)
for the year ended 31 December 2019

Other statutory information (cont'd)

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 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent events

The details of such events are as disclosed in Note 31 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

Ng Kweng Chong	Dato' Heng Huck Lee
Director	Director

Penang,
Date : 14 May 2020

Statements Of Financial Position
as at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	118,503	145,441	–	–
Investment property	4	6,593	6,850	–	–
Investments in subsidiaries	5	–	–	161,316	163,727
Investment in an associate	6	5,443	5,348	784	784
Other investments	7	10,210	8,191	5,216	5,071
Deferred tax assets	8	213	899	–	–
Total non-current assets		140,962	166,729	167,316	169,582
Inventories	9	8,301	12,619	–	–
Current tax assets		954	1,169	–	–
Trade and other receivables	10	41,324	74,545	106	72
Cash and cash equivalents	11	146,236	121,007	28,585	28,086
Total current assets		196,815	209,340	28,691	28,158
Total assets		337,777	376,069	196,007	197,740
Equity					
Share capital	12	186,463	185,772	186,463	185,772
Reserves	13	110,329	115,373	8,666	11,161
Total equity attributable to owners of the Company		296,792	301,145	195,129	196,933
Liabilities					
Deferred income	14	2,053	4,038	–	–
Loans and borrowings	15	–	4,157	–	–
Total non-current liabilities		2,053	8,195	–	–
Loans and borrowings	15	4,128	20,785	–	–
Current tax liabilities		28	71	5	5
Trade and other payables	16	34,776	45,873	873	802
Total current liabilities		38,932	66,729	878	807
Total liabilities		40,985	74,924	878	807
Total equity and liabilities		337,777	376,069	196,007	197,740

The notes on pages 66 to 128 are an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income
for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Continuing operations					
Revenue	17	216,316	327,956	52,043	54,164
Cost of sales		(142,294)	(216,497)	–	–
Gross profit		74,022	111,459	52,043	54,164
Other income		8,781	9,986	131	67
Administrative expenses		(35,850)	(45,000)	(2,208)	(1,893)
Net loss on impairment of financial instruments	18	(169)	(302)	–	–
Other expenses		(508)	(324)	–	–
Results from operating activities		46,276	75,819	49,966	52,338
Finance costs		(333)	(1,073)	–	–
Operating profit		45,943	74,746	49,966	52,338
Share of profit of equity-accounted associate, net of tax	6	95	39	–	–
Profit before tax	18	46,038	74,785	49,966	52,338
Tax expense	19	(1,324)	(4,668)	(72)	(62)
Profit for the year		44,714	70,117	49,894	52,276

Statements Of Profit Or Loss And Other Comprehensive Income (cont'd)
for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Other comprehensive income/(expense), net of tax					
Item that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")		676	(569)	302	(194)
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(154)	500	–	–
Other comprehensive income/(expense) for the year, net of tax	20	522	(69)	302	(194)
Total comprehensive income for the year		45,236	70,048	50,196	52,082
Profit attributable to :					
Owners of the Company		44,714	70,117	49,894	52,276
Total comprehensive income attributable to :					
Owners of the Company		45,236	70,048	50,196	52,082
Basic earnings per ordinary share (sen)	21	6.68	10.50		
Diluted earnings per ordinary share (sen)	21	6.68	10.49		

The notes on pages 66 to 128 are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

for the year ended 31 December 2019

	Attributable to owners of the Company						
		Non–distributable				*Distributable*	
	Share capital	**Share option reserve**	**Capital reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018	178,904	2,398	32	656	2,531	96,824	281,345
Foreign currency translation differences for foreign operations	–	–	–	–	500	–	500
Net change in fair value of equity investment designated at FVOCI	–	–	–	(569)	–	–	(569)
Total other comprehensive (expense)/income for the year	–	–	–	(569)	500	–	(69)
Profit for the year	–	–	–	–	–	70,117	70,117
Total comprehensive (expense)/income for the year	–	–	–	(569)	500	70,117	70,048
Contributions by and distributions to owners of the Company							
Issuance of new ordinary shares pursuant to ESOS 2014	5,878	–	–	–	–	–	5,878
Share-based payment transactions (Note 23)	–	1,092	–	–	–	–	1,092
Dividends to owners of the Company (Note 22)	–	–	–	–	–	(57,218)	(57,218)
Capital redemption reserve	–	–	9	–	–	(9)	–
Total transactions with owners of the Company	5,878	1,092	9	–	–	(57,227)	(50,248)
Transfer to share capital for share options exercised	990	(990)	–	–	–	–	–
At 31 December 2018	185,772	2,500	41	87	3,031	109,714	301,145
	Note 12			Note 13			

Consolidated Statement Of Changes In Equity (cont'd)
for the year ended 31 December 2019

	Attributable to owners of the Company						
		Non–distributable				Distributable	
	Share capital RM'000	Share option reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2019	185,772	2,500	41	87	3,031	109,714	301,145
Foreign currency translation differences for foreign operations	–	–	–	–	(154)	–	(154)
Net change in fair value of equity investment designated at FVOCI	–	–	–	676	–	–	676
Total other comprehensive income/(expense) for the year	–	–	–	676	(154)	–	522
Profit for the year	–	–	–	–	–	44,714	44,714
Total comprehensive income/(expense) for the year	–	–	–	676	(154)	44,714	45,236
Contributions by and distributions to owners of the Company							
Issuance of new ordinary shares pursuant to ESOS 2014	602	–	–	–	–	–	602
Dividends to owners of the Company (Note 22)	–	–	–	–	–	(50,191)	(50,191)
Total transactions with owners of the Company	602	–	–	–	–	(50,191)	(49,589)
Transfer to share capital for share options exercised	89	(89)	–	–	–	–	–
Transfer to retained earnings for share options expired	–	(2,411)	–	–	–	2,411	–
Transfer upon the disposal of equity investment designated at FVOCI	–	–	–	(44)	–	44	–
At 31 December 2019	186,463	–	41	719	2,877	106,692	296,792
	Note 12		Note 13				

The notes on pages 66 to 128 are an integral part of these financial statements.

Statement Of Changes In Equity
for the year ended 31 December 2019

	Attributable to owners of the Company				
		Non–distributable		Distributable	
	Share capital RM'000	Share option reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018	178,904	2,398	171	13,626	195,099
Net change in fair value of equity investment designated at FVOCI	–	–	(194)	–	(194)
Profit for the year	–	–	–	52,276	52,276
Total comprehensive (expense)/income for the year	–	–	(194)	52,276	52,082
Contributions by and distributions to owners of the Company					
Issuance of new ordinary shares pursuant to ESOS 2014	5,878	–	–	–	5,878
Share-based payment transactions (Note 23)	–	1,092	–	–	1,092
Dividends to owners of the Company (Note 22)	–	–	–	(57,218)	(57,218)
Total transactions with owners of the Company	5,878	1,092	–	(57,218)	(50,248)
Transfer to share capital for share options exercised	990	(990)	–	–	–
At 31 December 2018	185,772	2,500	(23)	8,684	196,933
	Note 12	Note 13			

Statement Of Changes In Equity (cont'd)

for the year ended 31 December 2019

	Attributable to owners of the Company				
		Non–distributable		Distributable	
	Share capital RM'000	Share option reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2019	185,772	2,500	(23)	8,684	196,933
Net change in fair value of equity investment designated at FVOCI	–	–	302	–	302
Profit for the year	–	–	–	49,894	49,894
Total comprehensive income for the year	–	–	302	49,894	50,196
Contributions by and distributions to owners of the Company					
Issuance of new ordinary shares pursuant to ESOS 2014	602	–	–	–	602
Dividends to owners of the Company (Note 22)	–	–	–	(50,191)	(50,191)
Total transactions with owners of the Company	602	–	–	(50,191)	(49,589)
Transfer to share capital for share options exercised	89	(89)	–	–	–
Transfer from share option reserve for share options expired	–	(2,411)	–	–	(2,411)
Transfer upon the disposal of equity investment designated at FVOCI	–	–	(44)	44	–
At 31 December 2019	186,463	–	235	8,431	195,129
	Note 12	Note 13			

The notes on pages 66 to 128 are an integral part of these financial statements.

Statements Of Cash Flows

for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before tax from continuing operations		46,038	74,785	49,966	52,338
Adjustments for :					
Depreciation of :					
- property, plant and equipment	3	37,842	37,022	–	–
- investment property	4	257	257	–	–
Property, plant and equipment written off		50	100	–	–
Impairment loss on :					
- plant and equipment	3	1,028	3,042	–	–
- trade receivables	18	169	302	–	–
- goodwill		10	–	–	–
Gain on disposal of plant and equipment		(74)	(7)	–	–
Dividends from subsidiaries	18	–	–	(50,993)	(53,107)
Interest income	18	(3,449)	(2,937)	(1,050)	(1,057)
Amortisation of deferred income	14	(1,985)	(3,151)	–	–
Share of profit of equity-accounted associate, net of tax	6	(95)	(39)	–	–
Share-based payments	23	–	1,092	–	–
Interest expense		333	1,073	–	–
Unrealised loss on foreign exchange for loans and borrowings	15.2	63	441	–	–
Operating profit/(loss) before changes in working capital		80,187	111,980	(2,077)	(1,826)
Change in inventories		4,294	894	–	–
Change in trade and other receivables		33,049	19,759	(34)	13
Change in trade and other payables		(6,214)	(11,424)	71	(93)
Cash generated from/(used in) operations		111,316	121,209	(2,040)	(1,906)
Interest received		–	–	1,050	1,057
Dividends received from subsidiaries		–	–	50,993	53,107
Tax paid		(466)	(5,310)	(72)	(62)
Net cash from operating activities		110,850	115,899	49,931	52,196

Statements Of Cash Flows (cont'd)

for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Acquisition of :					
- property, plant and equipment	A	(16,909)	(35,890)	–	–
- other investments		(2,436)	(1,181)	(774)	(1,181)
Proceeds from disposal of :					
- other investments		1,071	1,000	931	1,000
- property, plant and equipment		81	10	–	–
Interest received		3,449	2,937	–	–
Acquisition of a subsidiary, net of cash and cash equivalents acquired	29	27	–	–	–
Net cash (used in)/from investing activities		(14,717)	(33,124)	157	(181)
Cash flows from financing activities					
Dividends paid to owners of the Company	22	(50,191)	(57,218)	(50,191)	(57,218)
Drawdown of term loans		–	18,660	–	–
Repayment of term loans		–	(21,398)	–	–
Repayment of other borrowings, net	15.2	(20,877)	(23,957)	–	–
Proceeds from issue of ordinary shares		602	5,878	602	5,878
Interest paid		(333)	(1,073)	–	–
Grants received	14	–	637	–	–
Net cash used in financing activities		(70,799)	(78,471)	(49,589)	(51,340)
Net increase in cash and cash equivalents		25,334	4,304	499	675
Effect of exchange rate fluctuations on cash held		(105)	351	–	–
Cash and cash equivalents at 1 January		121,007	116,352	28,086	27,411
Cash and cash equivalents at 31 December	11	146,236	121,007	28,585	28,086

NOTE

A. *Acquisition of property, plant and equipment*

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM11.99 million (2018 : RM35.50 million), of which RM1.31 million (2018 : RM6.23 million) remained unpaid at the reporting date. The total of RM16.91 million (2018 : RM35.89 million) was paid by cash.

The notes on pages 66 to 128 are an integral part of these financial statements.

Notes To The Financial Statements

Globetronics Technology Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows :

Principal place of business

Plot 2, Phase 4
Free Industrial Zone
Bayan Lepas
11900 Penang

Registered office

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate.

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the assembly and testing of integrated circuits, optoelectronic products and chip carrier quartz crystal products, manufacturing of small outline components, LED components and modules, technical plating services, assembly of sensors and optical products, trading of electronics/semiconductor components, provision of computer hardware and software, system solutions and consultations and investment holding.

These financial statements were authorised for issue by the Board of Directors on 14 May 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 standard 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 January 2021

- MFRS 17, *Insurance Contracts*

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

- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

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*

Notes To The Financial Statements (cont'd)

1. Basis Of Preparation (cont'd)

(a) Statement of compliance (cont'd)

The Group and the Company plan to apply the abovementioned amendments, where applicable, in the respective financial years when the above amendments become effective.

The initial application of the abovementioned amendments is not expected to have any material financial impacts 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 and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 3.1 - Impairment of property, plant and equipment; and
- Note 3.2 - Change in estimates of plant and equipment useful lives.

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 to the financial statements.

(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.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(a) Basis of consolidation (cont'd)

(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) Acquisitions 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.

(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 a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates 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.

(vi) 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 the profit or loss and the 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.

(vii) 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.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income 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.

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

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

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statements 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.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(c) Financial instruments (cont'd)

(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 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(l)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, 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 debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to 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(l)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a 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 or at fair value through other comprehensive income 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 their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(l)(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 a 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 the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the 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 (cont'd)

2. Significant Accounting Policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities (cont'd)

(b) Amortised cost

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

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

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to :

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(c) Financial instruments (cont'd)

(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 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 consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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" or "other expenses" respectively in profit or loss.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(d) Property, plant and equipment (cont'd)

(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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

	%
Buildings and factory improvements	2 - 20
Plant and equipment *	10 - 33.33
Motor vehicles, office equipment, furniture and fixtures	10 - 20

* The Group depreciates certain plant and equipment over the expected production output to be derived from those plant and equipment of which the expected usage of these assets by the Group ranges from 3 to 7 years.

Leasehold land are amortised over the term of leases ranging from 60 to 99 years.

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

Periodically, the Group will review the estimated useful life of its plant and machinery especially those specific plant and machinery to match the life cycle of the products.

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 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 assesses whether :

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(e) Leases (cont'd)

Current financial year (cont'd)

(i) Definition of a lease (cont'd)

- 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 allocates 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 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.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises 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 entities use their incremental borrowing rate 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 is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that 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 has 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 recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(e) Leases (cont'd)

Current financial year (cont'd)

(ii) Recognition and initial measurement (cont'd)

(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.

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's estimate of the amount expected to be payable under a residual value guarantee, or if the Group 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".

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.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(e) Leases (cont'd)

Previous financial year (cont'd)

As a lessee (cont'd)

(i) Finance lease (cont'd)

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, or as investment property if held to earn rental income or for capital appreciation or for both.

(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, except for property interest held under operating lease, the leased assets were not recognised on the statements of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property.

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.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

(f) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(g) Investment properties

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(g) Investment properties (cont'd)

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses and are accounted for similarly to property, plant and equipment. Depreciation is charged on a straight-line basis over the estimated useful life of 50 years.

(h) Inventories

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

The cost of inventories is calculated using the first-in, first-out method, 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 manufactured inventories, 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.

(i) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(k) 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(l) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, 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 allowances for trade receivables, contract assets and lease receivables are 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 over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

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 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 or the Company's procedures for recovery 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.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(l) Impairment (cont'd)

(ii) Other assets (cont'd)

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 (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups 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.

(m) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(n) 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 binomial lattice 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.

(o) 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.

(p) Revenue and other income

(i) Revenue from contracts with customers

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 or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(p) Revenue and other income (cont'd)

(i) Revenue from contracts with customers (cont'd)

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met :

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

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as "other income".

(iii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(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.

(v) Interest income

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

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(r) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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 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.

(s) 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.

(t) 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 segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer 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.

Notes To The Financial Statements (cont'd)

2. Significant Accounting Policies (cont'd)

(u) Contingencies

(i) 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(v) Fair value measurements

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 value is categorised into different levels in a fair value hierarchy based on the input 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 (cont'd)

3. Property, Plant and Equipment - Group

	Land	Land (Rights-of-use assets)	Buildings and factory improvements	Plant and equipment	Motor vehicles, office equipment, furniture and fixtures	Capital work–in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2018	13,212	–	53,142	322,839	33,951	5,398	428,542
Additions	–	–	352	28,670	421	6,060	35,503
Disposals	–	–	(6)	(23,317)	(146)	–	(23,469)
Write off	–	–	(7)	(2,752)	(137)	–	(2,896)
Reclassifications	–	–	–	5,406	–	(5,406)	–
At 31 December 2018	13,212	–	53,481	330,846	34,089	6,052	437,680
Adjustments on initial application of MFRS 16	(7,187)	7,187	–	–	–	–	–
At 1 January 2019, restated	6,025	7,187	53,481	330,846	34,089	6,052	437,680
Additions	–	–	4,842	3,909	1,578	1,660	11,989
Disposals	–	–	–	–	(831)	–	(831)
Write off	–	–	–	(7,894)	(4,811)	–	(12,705)
Reclassifications	–	–	6,045	–	–	(6,045)	–
At 31 December 2019	6,025	7,187	64,368	326,861	30,025	1,667	436,133

Notes To The Financial Statements (cont'd)

3. Property, Plant and Equipment - Group (cont'd)

	Land	Land (Rights-of-use assets)	Buildings and factory improvements	Plant and equipment	Motor vehicles, office equipment, furniture and fixtures	Capital work–in–progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation and impairment losses							
At 1 January 2018							
Accumulated depreciation	2,161	–	32,341	211,341	27,059	–	272,902
Accumulated impairment losses	–	–	270	4,535	730	–	5,535
	2,161	–	32,611	215,876	27,789	–	278,437
Depreciation for the year	138	–	1,130	33,490	2,264	–	37,022
Impairment loss during the year	–	–	4	2,575	463	–	3,042
Disposals	–	–	(5)	(23,317)	(144)	–	(23,466)
Write off	–	–	(7)	(2,652)	(137)	–	(2,796)
At 31 December 2018							
Accumulated depreciation	2,299	–	33,459	218,862	29,042	–	283,662
Accumulated impairment losses	–	–	274	7,110	1,193	–	8,577
	2,299	–	33,733	225,972	30,235	–	292,239
Adjustments on initial application of MFRS 16	(2,299)	2,299	–	–	–	–	–
At 1 January 2019, restated							
Accumulated depreciation	–	2,299	33,459	218,862	29,042	–	283,662
Accumulated impairment losses	–	–	274	7,110	1,193	–	8,577
	–	2,299	33,733	225,972	30,235	–	292,239

Notes To The Financial Statements (cont'd)

3. Property, Plant and Equipment - Group (cont'd)

	Land RM'000	Land (Rights-of-use assets) RM'000	Buildings and factory improvements RM'000	Plant and equipment RM'000	Motor vehicles, office equipment, furniture and fixtures RM'000	Capital work–in–progress RM'000	Total RM'000
Depreciation and impairment losses (cont'd)							
At 1 January 2019							
Accumulated depreciation	–	2,299	33,459	218,862	29,042	–	283,662
Accumulated impairment losses	–	–	274	7,110	1,193	–	8,577
	–	2,299	33,733	225,972	30,235	–	292,239
Depreciation for the year	–	138	987	34,856	1,861	–	37,842
Impairment loss during the year	–	–	–	1,018	10	–	1,028
Disposals	–	–	–	–	(824)	–	(824)
Write off	–	–	–	(7,863)	(4,792)	–	(12,655)
At 31 December 2019							
Accumulated depreciation	–	2,437	34,446	246,788	25,750	–	309,421
Accumulated impairment losses	–	–	274	7,195	740	–	8,209
	–	2,437	34,720	253,983	26,490	–	317,630
Carrying amounts							
At 1 January 2018	11,051	–	20,531	106,963	6,162	5,398	150,105
At 31 December 2018	10,913	–	19,748	104,874	3,854	6,052	145,441
At 31 December 2019	6,025	4,750	29,648	72,878	3,535	1,667	118,503

Notes To The Financial Statements (cont'd)

3. Property, Plant and Equipment - Group (cont'd)

3.1 Impairment of property, plant and equipment

The Group assesses its assets whenever there are indications of impairment. For the financial year ended 31 December 2019, the Group had re-assessed the recoverable amount of a number of assets related to the production of certain end of life product lines. Based on the assessment, the recoverable amounts of the assets were lower than their carrying amounts and accordingly the carrying amount of the assets was impaired by RM1,028,000 (2018: RM3,042,000) during the financial year.

3.2 Change in estimates

During the financial year ended 31 December 2019, the Group conducted an operational efficiency review on one of its production lines and resulted in changes in the expected usage of certain plant and equipment. Certain plant and equipment, which management previously estimated the useful lives of 3 to 7 years, are now expected to remain in production for 2 to 5 years from the date of capitalisation. As a result, the expected useful lives of these assets decreased and their estimated residual values also decreased accordingly. The effect of these changes on depreciation expenses, recognised in cost of sales, in current and future periods is as follows :

	2019	2020	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Increase/ (Decrease) in depreciation expense	2,605	1,553	714	(781)	(2,052)	(2,039)

4. Investment Property - Group

	RM'000
Cost	
At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	12,840
Accumulated depreciation	
At 1 January 2018	5,733
Depreciation for the year	257
At 31 December 2018/1 January 2019	5,990
Depreciation for the year	257
At 31 December 2019	6,247
Carrying amounts	
At 1 January 2018	7,107
At 31 December 2018/1 January 2019	6,850
At 31 December 2019	6,593

Notes To The Financial Statements (cont'd)

4. Investment Property - Group (cont'd)

4.1 Fair value information

Investment property comprises a factory building that is leased to an associate of the Group. No contingent rents are charged.

The fair value of the investment property of the Group is based on the Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of property being valued. The fair value of the investment property of the Group as at 31 December 2019 is classified as level 3 fair value, estimated at approximately RM14.6 million (2018 : RM14.6 million).

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 or change in circumstances that caused the transfer.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

Estimation uncertainty and key assumptions

The Directors estimate the fair value of the Group's investment property based on the following key assumptions :

- Comparison of the Group's investment property with similar properties that were published for sale within the same locality or other comparable localities;
- Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

4.2 The following are recognised in profit or loss :

	2019 RM'000	2018 RM'000
Lease income	2,247	1,883
Direct operating expenses :		
- income generating investment property	375	413

5. Investments In Subsidiaries - Company

	2019 RM'000	2018 RM'000
Cost of investment	154,767	154,767
Share - based payments allocated to subsidiaries	6,596	9,007
Less : Impairment loss	(47)	(47)
	161,316	163,727

Notes To The Financial Statements (cont'd)

5. Investments In Subsidiaries - Company (cont'd)

Details of the subsidiaries are as follows :

Name of entity	Country of incorporation	Effective ownership interest and voting interest 2019	Effective ownership interest and voting interest 2018	Principal activities
Globetronics Sdn. Bhd.	Malaysia	100%	100%	Assembly and testing of integrated circuits ("IC"), optoelectronic products and technical plating services
ISO Technology Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of small outline components, Light-Emitting-Diode ("LED") components and modules, and technical plating services for the semiconductor industry
Globetronics (KL) Sdn. Bhd. ("GKL")	Malaysia	100%	100%	Assembly and testing of plastic moulded and ceramic chip carrier quartz crystal timing devices. During the financial year, GKL temporarily ceased its operation.
Globetronics Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Development and assembly of sensors and optical products for smart mobile and wearable applications
Globetronics (HK) Limited *^	Hong Kong	100%	100%	Trading of electronics/ semiconductor components
Globetronics Industries Sdn. Bhd.	Malaysia	100%	100%	Dormant
Globetronics Medical Technology Sdn. Bhd.	Malaysia	100%	100%	Provision of computer hardware and software, system solutions and consultations
Globetronics International Incorporated #	British Virgin Islands	100%	100%	Investment holding
Trilion Suntech Sdn. Bhd. *	Malaysia	100%	-	Dormant

* Not audited by member firms of KPMG PLT.

\# The unaudited management financial statements were consolidated in the Group's financial statements as the subsidiary was not required by the local legislation to have audited financial statements.

^ Held through Globetronics International Incorporated.

Notes To The Financial Statements (cont'd)

6. Investment In An Associate

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At cost				
Unquoted shares	784	784	784	784
Share of post-acquisition reserves	4,659	4,564	–	–
	5,443	5,348	784	784

Name of entity	Country of incorporation	Effective ownership interest and voting interest 2019	2018	Nature of the relationship
NGK Globetronics Technology Sdn. Bhd.	Malaysia	49%	49%	Tenant for the investment property of the Group

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2019	2018
	RM'000	RM'000
Group		
Summarised financial information		
As at 31 December		
Non-current assets	14,723	643
Current assets	8,573	11,724
Non-current liabilities	(10,123)	(24)
Current liabilities	(2,064)	(1,428)
Net assets	11,109	10,915
Year ended 31 December		
Profit from continuing operations representing total comprehensive income	194	80
Included in the total comprehensive income is :		
Revenue	25,169	23,259
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets representing carrying amount in the statement of financial position	5,443	5,348

Notes To The Financial Statements (cont'd)

6. Investment In An Associate (cont'd)

	2019 RM'000	2018 RM'000
Group		
Group's share of results for the year ended 31 December		
Group's share of profit from continuing operations representing Group's share of total comprehensive income	95	39

7. Other Investments

	Note	Shares RM'000	Bonds/Funds RM'000	Total RM'000
Non-current				
Group				
2019				
Fair value through other comprehensive income	7.1	3,129	7,081	10,210
2018				
Fair value through other comprehensive income	7.1	2,717	5,474	8,191

	Bonds/Funds RM'000
Company	
2019	
Fair value through other comprehensive income	5,216
2018	
Fair value through other comprehensive income	5,071

Notes To The Financial Statements (cont'd)

7. Other Investments (cont'd)

7.1 Equity instruments designated at fair value through other comprehensive income

The Group designated the investments in equity securities shown below as fair value through other comprehensive income because these investments in equity securities represent investments that the Group intends to hold for long-term strategic purposes.

	Group			
	Fair value at 31.12.2019	Dividend income recognised during 2019	Fair value at 31.12.2018	Dividend income recognised during 2018
	RM'000	RM'000	RM'000	RM'000
China Construction Bank	285	13	274	13
Industrial and Commercial Bank of China	143	6	134	6
Hang Seng China Enterprises	–	1	65	2
MSCI China	–	–	72	1
Galaxy Entertainment Group Limited	304	5	264	5
UBS (LUX) Key selection SICAV	351	27	326	27
UBS (LUX) Equity				
- Global income	372	29	344	29
- US total yield	468	27	410	18
- China Opportunity	292	–	–	–
Hong Kong Land Holdings Ltd	190	7	210	6
Sprott Physical Gold Trust	454	–	386	–
Sprott Physical Silver Trust	270	–	232	–
	3,129	115	2,717	107

During the year, the Group and the Company disposed the following investments which were carried at fair value through other comprehensive income because these investments no longer in line with the Group's and the Company's strategic purposes :

	Fair value at derecognition	Cumulative gain/(loss) on disposal	Dividend recognised in 2019
	RM'000	RM'000	RM'000
Group			
OCBC IT1CS	250	(4)	–
Affin Hwang Select Income Fund	681	48	–
Hang Seng China Enterprises	66	12	1
MSCI China	74	(12)	–
	1,071	44	1

Notes To The Financial Statements (cont'd)

7. Other Investments (cont'd)

7.1 Equity instruments designated at fair value through other comprehensive income (cont'd)

	Fair value at derecognition RM'000	Cumulative gain on disposal RM'000	Dividend recognised in 2019 RM'000
Company			
OCBC IT1CS	250	(4)	–
Affin Hwang Select Income Fund	681	48	–
	931	44	–

8. Deferred Tax Assets - Group

Recognised deferred tax assets

Deferred tax assets are attributable to the following :

	2019 RM'000	2018 RM'000
Property, plant and equipment		
- capital allowances	213	899

Movements in temporary differences during the year

	At 1.1.2018 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2018/ 1.1.2019 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2019 RM'000
Property, plant and equipment					
- capital allowances	1,027	(128)	899	(686)	213
Investment tax allowances carry-forward	20	(20)	–	–	–
Other items	332	(332)	–	–	–
	1,379	(480)	899	(686)	213

Notes To The Financial Statements (cont'd)

8. Deferred Tax Assets - Group (cont'd)

Unrecognised deferred tax assets

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

	2019 RM'000	2018 RM'000
Property, plant and equipment		
- capital allowances	12,355	15,146
Unabsorbed capital allowances	8,447	–
Tax losses carry-forward	1,325	814
Investment tax allowances carry-forward	919	919
Other deductible temporary differences	4,418	5,321
	27,464	22,200

Following the enactment of the Finance Bill 2018, tax losses carry-forward up to year of assessment 2019 shall be deductible against aggregate of statutory income until year of assessment 2026. Any amount not deducted at the end of year of assessment 2026 shall be disregarded. The unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised capital allowances carry-forwards, tax-losses carry-forward and other deductible temporary differences available to the Group.

9. Inventories - Group

	2019 RM'000	2018 RM'000
Raw materials	2,220	7,118
Work-in-progress	1,565	1,474
Manufactured inventories	2,019	317
Consumables	1,757	2,801
Trading inventories	740	909
	8,301	12,619

Recognised in profit or loss :

	2019 RM'000	2018 RM'000
Inventories recognised as cost of sales	142,220	216,669
Write down to net realisable value	353	334
Reversal of write-down	(279)	(506)

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

Notes To The Financial Statements (cont'd)

10. Trade And Other Receivables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade receivables		38,129	72,055	–	–
Non-trade					
Amount due from subsidiaries	10.1	–	–	39	4
Amount due from an associate	10.1	21	26	–	–
Other receivables		2,207	1,288	46	47
Deposits		256	254	4	4
Prepayments		711	922	17	17
		3,195	2,490	106	72
		41,324	74,545	106	72

10.1 Amounts due from subsidiaries and an associate

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

11. Cash And Cash Equivalents

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Funds placed with financial institutions :					
- Short-term investment funds	11.1	65,500	63,292	19,136	19,230
- Short-term deposits		26,941	25,802	8,176	7,895
Cash and bank balances		53,795	31,913	1,273	961
		146,236	121,007	28,585	28,086
Market value					
- Short-term investment funds	11.1	65,812	63,593	19,256	19,387

Notes To The Financial Statements (cont'd)

11. Cash And Cash Equivalents (cont'd)

Included in cash and cash equivalents of the Group and the Company are amounts which earn interest as follows :

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and cash equivalents	140,115	114,627	28,446	27,905
Interest rates per annum	0.7% - 3.62%	0.7% - 4.00%	2.56% - 3.62%	2.69% - 3.80%

11.1 Short-term investment funds

Short-term investment funds represent investments in fixed income funds which can be redeemed within a period of less than 31 days.

Included in short-term investment funds of the Group and the Company is an amount of RM54.12 million (2018 : RM54.79 million) and RM18.11 million (2018 : RM19.21 million) respectively representing short-term funds placed in Sukuk and Short Term Islamic Money Market Instruments.

12. Share Capital - Group And Company

	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid ordinary shares classified as equity instruments :				
At 1 January	669,033	185,772	285,304	178,904
Issued for cash under ESOS				
- Exercise of ESOS 2014	–	–	460	2,100
	669,033	185,772	285,764	181,004
Subdivision	–	–	285,764	–
	669,033	185,772	571,528	181,004
Bonus issue	–	–	95,252	–
Issued for cash under ESOS				
- Exercise of ESOS 2014	412	691	2,253	4,768
At 31 December	669,445	186,463	669,033	185,772

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.

Notes To The Financial Statements (cont'd)

13. Reserves

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-distributable					
Translation reserve	13.1	2,877	3,031	–	–
Share option reserve	13.2	–	2,500	–	2,500
Capital reserve		41	41	–	–
Fair value reserve	13.3	719	87	235	(23)
		3,637	5,659	235	2,477
Distributable					
Retained earnings		106,692	109,714	8,431	8,684
		110,329	115,373	8,666	11,161

13.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13.2 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

13.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity and debt securities designated at fair value through other comprehensive income until the assets are derecognised or impaired.

14. Deferred Income - Group

	2019 RM'000	2018 RM'000
Non-current		
Government grants		
At 1 January	4,038	6,552
Additions during the year	–	637
Amortisation during the year (Note 18)	(1,985)	(3,151)
At 31 December	2,053	4,038

Notes To The Financial Statements (cont'd)

14. Deferred Income - Group (cont'd)

The Group received government grants from 2008 to 2018 which were conditional upon acquisition of certain plant and equipment. The grants are being amortised over the useful lives of the plant and equipment.

15. Loans and Borrowings, Unsecured - Group

	2019 RM'000	2018 RM'000
Non-current		
Revolving credits	–	4,157
Current		
Revolving credits	4,128	20,785
	4,128	24,942

15.1 Securities

The revolving credits are backed by a corporate guarantee of the Company.

15.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31.12.2018 /1.1.2019 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31.12.2019 RM'000
Term loans	2,738	(2,738)	–	–	–	–	–
Other borrowings							
- revolving credits	48,458	(23,957)	441	24,942	(20,877)	63	4,128
	51,196	(26,695)	441	24,942	(20,877)	63	4,128

Notes To The Financial Statements (cont'd)

16. Trade and Other Payables

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Trade				
Trade payables	5,398	6,915	–	–
Non-trade				
Other payables	19,512	26,707	14	14
Accrued expenses	9,866	12,251	859	788
	29,378	38,958	873	802
	34,776	45,873	873	802

17. Revenue

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	214,976	326,661	–	–
Other revenue				
- Dividend income	149	122	50,993	53,107
- Interest income	1,191	1,173	1,050	1,057
	1,340	1,295	52,043	54,164
Total revenue	216,316	327,956	52,043	54,164

17.1 Disaggregation of revenue

Revenue from contracts with customers of the Group is mainly confined to one business segment. Revenue of the Group mainly consists of manufacture, assembly, testing and sale of integrated circuits, chip carrier quartz crystal products, optoelectronic products, small outline components, LED components and modules, sensors and optical products, electronics/semiconductors components and technical plating services for semiconductor and electronics industries. Disaggregation of revenue based on primarily geographical market has been disclosed in Note 25 to the financial statements.

Notes To The Financial Statements (cont'd)

17. Revenue (cont'd)

17.2 Nature of goods

Revenue from the sale of products in the course of ordinary activities is typically recognised at a point in time when the control over the goods are transferred to the customers. The payment terms granted to customers is 60 days from invoice date. There is no variable element in consideration, obligation for returns and warranty attached to the goods sold by the Group.

17.3 Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient exemption in paragraph 121(a) of MFRS 15 on the exemption for disclosure of information on remaining performance obligations that have original expected durations of one year or less.

18. Profit Before Tax

	Group		Company	
	2019	2018	2019	2018
	RM’000	RM’000	RM’000	RM’000
Profit before tax is arrived at after charging/(crediting) :				
Auditors’ remuneration :				
- Audit fees				
- KPMG PLT in Malaysia				
- current year	170	154	26	21
- prior year	17	–	5	–
- Other auditors	10	8	–	–
- Non-audit fees				
- KPMG PLT in Malaysia	10	10	10	10
- Local affiliate of KPMG PLT in Malaysia	4	4	4	4
Material expenses/(income)				
Directors’ emoluments				
- Directors of the Company				
- Fees				
- Current Directors	1,137	1,038	789	723
- Past Director	–	61	–	–
- Others	7,589	9,181	–	–
- Other Directors				
- Fees	116	105	–	–
- Others	972	1,005	–	–

Notes To The Financial Statements (cont'd)

18. Profit Before Tax (cont'd)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Material expenses/(income) (cont'd)				
Depreciation on :				
- property, plant and equipment	37,842	37,022	–	–
- investment property	257	257	–	–
Impairment loss on property, plant and equipment	1,028	3,042	–	–
Inventories/(Reversal of inventories) written down, net	74	(172)	–	–
Rental expense	1,712	2,001	–	–
Net foreign exchange gain	(266)	(987)	–	–
Gross dividends from :				
- Subsidiaries (Note 17)	–	–	(50,993)	(53,107)
- Other investments (Note 17)	(149)	(122)	–	–
Interest income	(3,449)	(2,937)	(1,050)	(1,057)
Rental income	(3,123)	(2,703)	–	–
Amortisation of deferred income (Note 14)	(1,985)	(3,151)	–	–
Personnel expenses (including key management personnel) :				
- Contributions to Employees' Provident Fund	2,663	3,023	–	–
- Share-based payments (Note 23)	–	1,092	–	–
- Wages, salaries and others	55,271	78,074	–	–
Net loss on impairment of financial instruments				
Financial assets at amortised costs				
- impairment loss on trade receivables	169	302	–	–

The estimated monetary value of Directors' benefits-in-kind is RM33,050 (2018 : RM28,825).

Notes To The Financial Statements (cont'd)

19. Tax Expense

Recognised in profit or loss

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax expense on continuing operations	1,324	4,668	72	62
Share of tax of equity - accounted associate	30	28	–	–
Total income tax expense	1,354	4,696	72	62

Major components of income tax expense include :

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
- Current year	1,165	5,162	60	60
- Prior year	(527)	(974)	12	2
Total current tax recognised in profit or loss	638	4,188	72	62
Deferred tax expense				
Origination and reversal of temporary differences	686	480	–	–
Share of tax of equity - accounted associate	30	28	–	–
Total income tax expense	1,354	4,696	72	62

Notes To The Financial Statements (cont'd)

19. Tax Expense (cont'd)

Reconciliation of tax expense

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	44,714	70,117	49,894	52,276
Total income tax expense	1,354	4,696	72	62
Profit excluding tax	46,068	74,813	49,966	52,338
Income tax calculated using Malaysian tax rate of 24%	11,056	17,955	11,992	12,561
Effect of tax rate in different jurisdiction	(21)	(42)	–	–
Non-deductible expenses	1,305	1,448	527	453
Non-taxable income	(653)	(884)	(31)	(16)
Tax exempt income	(621)	(383)	(12,422)	(12,926)
Tax incentive	(10,464)	(12,946)	–	–
Deferred tax assets not recognised	1,263	505	–	–
Other items	16	17	(6)	(12)
	1,881	5,670	60	60
(Over)/Under provision in prior year	(527)	(974)	12	2
	1,354	4,696	72	62

Notes To The Financial Statements (cont'd)

20. Other Comprehensive Income/(Expense)

	2019 Before tax RM'000	2019 Tax expense RM'000	2019 Net of tax RM'000	2018 Before tax RM'000	2018 Tax expense RM'000	2018 Net of tax RM'000
Group						
Item that will not be reclassified subsequently to profit or loss						
Net change in fair value of equity investments at fair value through other comprehensive income	676	–	676	(569)	–	(569)
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations						
- (Losses)/Gains arising during the year	(154)	–	(154)	500	–	500
	522	–	522	(69)	–	(69)
Company						
Item that will not be reclassified subsequently to profit or loss						
Net change in fair value of equity investments at fair value through other comprehensive income	302	–	302	(194)	–	(194)

Notes To The Financial Statements (cont'd)

21. Earnings Per Ordinary Share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows :

	2019 RM'000	2018 RM'000
Profit attributable to ordinary shareholders	44,714	70,117

	2019 '000	2018 '000
Issued ordinary shares at beginning of year	669,033	285,304
Effect of shares issued during the year	207	1,251
Effect of subdivision in year 2018	–	285,764
Effect of bonus issue in year 2018	–	95,252
Weighted average number of ordinary shares	669,240	667,571

	2019 sen	2018 sen
Basic earnings per ordinary share	6.68	10.50

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share was based on profit attributable to the 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 :

	2019 RM'000	2018 RM'000
Profit attributable to ordinary shareholders	44,714	70,117

	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December (basic)	669,240	667,571
Effect of share options on issue	–	798
Weighted average number of ordinary shares at 31 December (diluted)	669,240	668,369

Notes To The Financial Statements (cont'd)

21. Earnings Per Ordinary Share - Group (cont'd)

Diluted earnings per ordinary share (cont'd)

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

	2019 sen	2018 sen
Diluted earnings per ordinary share	6.68	10.49

22. Dividends - Group and Company

Dividends recognised by the Company :

	Sen per share	Total amount RM'000	Date of payment
2019			
Third interim 2018 ordinary and special	3.0	20,073	26 March 2019
First interim 2019 ordinary and special	2.0	13,382	2 July 2019
Second interim 2019 ordinary and special	2.5	16,736	4 December 2019
		50,191	
2018			
Third interim 2017 ordinary and special	6.0	17,137	30 March 2018
First interim 2018 ordinary and special	3.0	20,010	11 July 2018
Second interim 2018 ordinary and special	3.0	20,071	4 December 2018
		57,218	

A third interim single tier ordinary dividend of 1.0 sen per share and a single tier special dividend of 2.0 sen per share, totalling RM20,083,337 were declared on 27 February 2020 and paid on 26 March 2020. These dividends will be recognised in the financial year ending 31 December 2020.

23. Employee Benefits - Group and Company

Share-based payments arrangement

The Group granted share options to Executive Directors and confirmed full-time employees with at least three months of service to purchase shares in the Company under the Employees Share Option Scheme 2014 ("ESOS 2014") approved by the shareholders of the Company on 20 May 2014.

The contractual lives of ESOS 2014 are five years commencing from 12 August 2014.

Notes To The Financial Statements (cont'd)

23. Employee Benefits - Group and Company (cont'd)

Share-based payments arrangement (cont'd)

Details of the grant are as follows :

Grant date	Number of options ('000)
14 August 2014	1,301
13 May 2015	1,038
26 October 2015	6
24 May 2016	3,801
20 October 2016	17
19 April 2017	1,260
25 October 2017	72
20 April 2018	1,976
25 October 2018	115
25 April 2019	2,277

The terms and conditions related to the grants of the share option program are that the eligible persons are entitled to exercise the number of options granted over the remaining lives of ESOS 2014 from the granting dates on condition that the eligible persons are still in employment.

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

	2019		2018	
	Weighted average exercise price RM	Number of options '000	Weighted average exercise price RM	Number of options '000
ESOS 2014				
Outstanding at 1 January	2.04	6,678	4.84	2,586
Effect of subdivision	–	–	–	4,103
Effect of bonus issue	–	–	–	1,367
Granted during the year	2.06	2,277	4.05	2,091
Exercised during the year	1.46	(412)	3.91/1.81*	(2,713)
Forfeited during the year	2.07	(8,543)	2.00	(756)
Outstanding at 31 December	–	–	2.04	6,678
Exercisable at 31 December	–	–	2.04	6,678

The options outstanding at 31 December 2018 had an exercise price in the range of RM1.41 to RM2.70 and a weighted contractual life of 0.6 year.

During the financial year, 411,531 (2018 : 2,712,659) share options were exercised. The weighted average share price for ESOS 2014 at the dates of exercise for the year were RM1.46 (2018 : RM3.91/RM1.81*).

Notes To The Financial Statements (cont'd)

23. Employee Benefits - Group And Company (cont'd)

Share-based payments arrangement (cont'd)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs :

	Directors		Employees	
	2019	2018	2019	2018
	RM	RM	RM	RM
Fair value of share options and assumptions				
Fair value at grant date	0.23	0.67	0.23	0.67 & 0.38
Weighted average share price	2.06	4.17	2.06	4.17 & 2.07
Share price at grant date	2.06	4.17	2.06	4.17 & 2.16
Expected volatility (weighted average volatility)	51.23%	37.82%	51.23%	37.82% & 35.97%
Option life (expected weighted average life)	–	0.6 year	–	0.6 year
Expected dividends	4.45%	3.97%	4.45%	3.97% & 3.56%
Risk-free interest rate (based on Malaysian government bonds)	3.5%	3.5%	3.5%	3.5%

* Adjusted weighted average exercise price as a result of subdivision and bonus issue in financial year 2018.

Value of employee services received for issue of share options

	2019	2018
	RM'000	RM'000
Share options forfeited	(532)	(274)
Share options granted	532	1,366
Total expense recognised as share-based payments	–	1,092

The share options expense is not recognised in the profit or loss of the Company as it has been re-charged to the subsidiaries benefiting from the services of the employees.

24. Capital Commitments - Group

	2019	2018
	RM'000	RM'000
Property, plant and equipment		

Notes To The Financial Statements (cont'd)

- Contracted but not provided for	755	4,037

25. Operating Segments - Group

The Group is principally confined to the manufacture, assembly, testing and sale of integrated circuits, chip carrier quartz crystal products, optoelectronic products, small outline components, LED components and modules, sensors and optical products, electronics/semiconductor components and technical plating services for the semiconductor and electronics industries. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

Geographical segments

The Group's manufacturing activities are performed in Malaysia while sales and distribution activities are mainly performed in three principal geographical areas namely Malaysia, Singapore and United States.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in an associate) and deferred tax assets.

	Malaysia RM'000	Singapore RM'000	United States RM'000	Others RM'000	Consolidated RM'000
2019					
Revenue from external customers	55,018	146,066	14,374	858	216,316
Non-current assets	125,096	–	–	–	125,096
2018					
Revenue from external customers	127,662	182,846	17,194	254	327,956
Non-current assets	152,291	–	–	–	152,291

Major customers

Two (2018 : Two) major customers of the Group, with revenue equal or more than 10% of the Group's total revenue, contribute approximately 77% (2018 : 79%) or RM165,996,000 (2018 : RM259,271,000) of the Group's total revenue.

26. Related Parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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

Notes To The Financial Statements (cont'd)

personnel include all the Directors of the Group.

26. Related Parties (cont'd)

Identity of related parties (cont'd)

The Group has related party relationship with :

(i) subsidiaries and associate of the Company as disclosed in Notes 5 and 6 to the financial statements;
(ii) key management personnel; and
(iii) companies in which a Director, Mr Ng Kweng Chong is deemed to have a substantial financial interest :
- Ng Kweng Chong Holdings Sdn. Bhd. (Registration No : 197901007294 (51580-M))
- Wiserite Sdn. Bhd. (Registration No : 199601038240 (410593-W))
- Glencare Sdn. Bhd. (Registration No : 200101013301 (549058-U))

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 of the Company are shown below. The balances related to the below transactions are shown in Note 10 to the financial statements.

	Group	
	2019	2018
	RM'000	RM'000
i) Transactions with an associate		
NGK Globetronics Technology Sdn. Bhd.		
Rental of investment property	2,247	1,883
Provision of management support services	182	192

	Company	
	2019	2018
	RM'000	RM'000
ii) Transactions with subsidiaries		
Globetronics Sdn. Bhd.		
Allocation of share-based payments	–	502
Dividend income	–	11,115
Provision of management support services	1,112	617
ISO Technology Sdn. Bhd.		
Allocation of share-based payments	–	329
Dividend income	6,000	11,000
Globetronics (KL) Sdn. Bhd.		
Allocation of share-based payments	–	75
Dividend income	1,743	6,992
Globetronics Manufacturing Sdn. Bhd.		
Allocation of share-based payments	–	186

Notes To The Financial Statements (cont'd)

Dividend income	43,250	24,000

26. Related Parties (cont'd)

Significant related party transactions (cont'd)

iii) Transactions with Directors and key management personnel

There were no transactions with the Directors and key management personnel other than the following :

- remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 18 to the financial statements; and
- share options granted to Directors and key management personnel of the Group as disclosed in the Directors' Report of the Company and of its related corporations.

27. Financial Instruments

27.1 Categories of financial instruments

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

(a) Amortised cost ("AC"); and
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR").

	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
Financial assets			
2019			
Group			
Other investments	10,210	–	10,210
Trade and other receivables (exclude prepayments and deposits)	40,357	40,357	–
Cash and cash equivalents	146,236	146,236	–
	196,803	186,593	10,210
Company			
Other investments	5,216	–	5,216
Trade and other receivables (exclude prepayments and deposits)	85	85	–
Cash and cash equivalents	28,585	28,585	–

Notes To The Financial Statements (cont'd)

	33,886	28,670	5,216

27. Financial Instruments (cont'd)

27.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
Financial assets (cont'd)			
2018			
Group			
Other investments	8,191	–	8,191
Trade and other receivables (exclude prepayments and deposits)	73,369	73,369	–
Cash and cash equivalents	121,007	121,007	–
	202,567	194,376	8,191
Company			
Other investments	5,071	–	5,071
Trade and other receivables (exclude prepayments and deposits)	51	51	–
Cash and cash equivalents	28,086	28,086	–
	33,208	28,137	5,071

	Carrying amount RM'000	AC RM'000
Financial liabilities		
2019		
Group		
Loans and borrowings	4,128	4,128
Trade and other payables	34,776	34,776
	38,904	38,904
Company		

Notes To The Financial Statements (cont'd)

Trade and other payables	873	873

27. Financial Instruments (cont'd)

27.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	AC RM'000
2018		
Group		
Loans and borrowings	24,942	24,942
Trade and other payables	45,873	45,873
	70,815	70,815
Company		
Trade and other payables	802	802

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Net gains/(losses) on :				
Equity instruments designated at FVOCI				
- recognised in profit or loss	149	122	–	17
- recognised in other comprehensive income	676	(569)	302	(194)
	825	(447)	302	(177)
Financial assets at amortised cost	3,129	3,083	1,050	1,057
Financial liabilities at amortised cost	84	(534)	–	–
	4,038	2,102	1,352	880

27.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk

Notes To The Financial Statements (cont'd)

- Market risk

27. Financial Instruments (cont'd)

27.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer and investment in debt securities. The Company's exposure to credit risk arises principally from advances to subsidiary and financial guarantees given to several banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade 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 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 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.

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Domestic	9,429	16,948
Singapore	25,882	51,317
United States	2,651	3,335
Others	167	455

Notes To The Financial Statements (cont'd)

	38,129	72,055

27. Financial Instruments (cont'd)

27.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss

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. Generally, trade receivables will pay within 60 days. The Group's debt recovery process is as follows :

(a) Above 30 days past due after credit term, the Group's Finance and Business Development Management team will start to monitor and follow up with the Finance Department counterpart for a consistent debts repayment process; and
(b) Above 90 days past due, the matter will be escalated to the senior management whereby discussion and structured debts recovery process will be initiated and monitored closely.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
2019			
Current (not past due)	36,579	–	36,579
1 - 30 days past due	1,547	–	1,547
31 - 60 days past due	3	–	3
	38,129	–	38,129
Credit impaired			
Individually impaired	471	(471)	–

Notes To The Financial Statements (cont'd)

	38,600	(471)	38,129

27. Financial Instruments (cont'd)

27.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
2018			
Current (not past due)	52,090	–	52,090
1 - 30 days past due	19,225	–	19,225
31 - 60 days past due	740	–	740
	72,055	–	72,055
Credit impaired			
Individually impaired	302	(302)	–
	72,357	(302)	72,055

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

	Trade receivables - credit impaired 2019 RM'000	2018 RM'000
Group		
Balance at 1 January	302	–
Net remeasurement of loss allowance	169	302
Balance at 31 December	471	302

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance

Notes To The Financial Statements (cont'd)

is not material and hence, it is not provided for.

27. Financial Instruments (cont'd)

27.4 Credit risk (cont'd)

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for hostel rented and utilities. These deposits will be received at the end of each lease terms. 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 statements of financial position.

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

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 certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM7.83 million (2018 : RM28.77 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiary's secured loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when :

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

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

27.5 Liquidity risk

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

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

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

Notes To The Financial Statements (cont'd)

significantly different amounts.

27. Financial Instruments (cont'd)

27.5 Liquidity risk (cont'd)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
Non-derivative financial liabilities					
Group					
2019					
Revolving credits	4,128	2.60 – 3.30	4,156	4,156	–
Trade and other payables	34,776	–	34,776	34,776	–
	38,904		38,932	38,932	–
2018					
Revolving credits	24,942	2.19 – 3.24	25,370	21,188	4,182
Trade and other payables	45,873	–	45,873	45,873	–
	70,815		71,243	67,061	4,182
Company					
2019					
Trade and other payables	873	–	873	873	
Financial guarantees	–	–	7,834	7,834	
	873		8,707	8,707	

Notes To The Financial Statements (cont'd)

27. Financial Instruments (cont'd)

27.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000
Non-derivative financial liabilities				
Company				
2018				
Trade and other payables	802	–	802	802
Financial guarantees	–	–	28,765	28,765
	802		29,567	29,567

27.6 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 financial position or cash flows.

27.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Notes To The Financial Statements (cont'd)

27. Financial Instruments (cont'd)

27.6 Market risk (cont'd)

27.6.1 Currency risk (cont'd)

Exposure to foreign currency risk

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

	2019 RM'000	2018 RM'000
Denominated in USD		
Trade and other receivables	28,486	57,330
Cash and cash equivalents	31,889	10,273
Trade and other payables	(4,241)	(5,692)
Loans and borrowings	(4,128)	(24,942)
Net exposure	52,006	36,969

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 5% (2018 : 5%) strengthening of the RM against USD at the end of the reporting period would have decreased post–tax profit or loss by RM1,976,000 (2018: RM1,405,000). This analysis is based on foreign currency exchange rate variances that the Group entities 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 transactions.

A 5% (2018 : 5%) weakening of RM against USD 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.

27.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings is exposed to a risk of change in cash flows due to changes in interest rate. Investments in equity securities and 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 is presently enjoying competitive interest rates which are reviewed and negotiated on a

Notes To The Financial Statements (cont'd)

yearly basis. The Group manages their interest rate risk by having a combination of borrowings with floating and fixed rates.

27. Financial Instruments (cont'd)

27.6 Market risk (cont'd)

27.6.2 Interest rate risk (cont'd)

Exposure to interest rate risk

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets				
Bonds/Funds	7,081	5,474	5,216	5,071
Cash and cash equivalents	140,115	114,627	28,446	27,905
	147,196	120,101	33,662	32,976
Floating rate instruments				
Financial liabilities				
Loans and borrowings	4,128	24,942	–	–

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by RM16,000 (2018: RM95,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27. Financial Instruments (cont'd)

27.7 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 other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019										
Financial assets										
Group										
Quoted bonds/funds	–	7,081	–	7,081	–	–	–	–	7,081	7,081
Quoted shares	3,129	–	–	3,129	–	–	–	–	3,129	3,129
	3,129	7,081	–	10,210	–	–	–	–	10,210	10,210
Company										
Quoted bonds/funds	–	5,216	–	5,216	–	–	–	–	5,216	5,216

Notes To The Financial Statements (cont'd)

27. Financial Instruments (cont'd)

27.7 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018										
Group										
Financial assets										
Quoted bonds/funds	–	5,474	–	5,474	–	–	–	–	5,474	5,474
Quoted shares	2,717	–	–	2,717	–	–	–	–	2,717	2,717
	2,717	5,474	–	8,191	–	–	–	–	8,191	8,191
Financial liability										
Loans and borrowings	–	–	–	–	–	–	24,942	24,942	24,942	24,942
Company										
Financial asset										
Quoted bonds/funds	–	5,071	–	5,071	–	–	–	–	5,071	5,071

Notes To The Financial Statements (cont'd)

27. Financial Instruments (cont'd)

27.7 Fair value information (cont'd)

Level 2 fair value

Non-derivative financial liabilities

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018 : No transfer in either directions).

28. 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.

There were no changes in the Group's approach to capital management during the financial year.

29. Acquisition of a Subsidiary - Group

On 30 August 2019, the Company acquired the entire issued and paid up share capital of Trilion Suntech Sdn. Bhd. ("TSSB") for a total cash consideration of RM2. TSSB has not commenced business operation since its date of incorporation. From the acquisition date to 31 December 2019, TSSB contributed a loss of RM9,000. Even if the acquisition had occurred on 1 January 2019, the management estimates that the impact of the acquisition to the consolidated revenue and consolidated profit for the financial year would be insignificant.

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2019 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	*

* RM2.00

Notes To The Financial Statements (cont'd)

29. Acquisition of a Subsidiary - Group (cont'd)

	2019 RM'000
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	27
Sundry payables	(37)
Total identifiable net liabilities	(10)
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	*
Cash and cash equivalents acquired	27
	27
Goodwill	
Goodwill was recognised as a result of the acquisition as follows :	
Total consideration transferred	*
Total identifiable net liabilities	10
Goodwill	10

The goodwill arising from acquisition has been fully impaired during the financial year.

* RM2.00

30. Significant Changes In Accounting Policies

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

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are 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 January 2019.

Notes To The Financial Statements (cont'd)

30. Significant Changes In Accounting Policies (cont'd)

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 balance of retained earnings at 1 January 2019.

At 1 January 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 January 2019. The weighted-average rate applied is 3%. Right-of-use assets are measured at either :

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

- applied a single discount rate to a portfolio of leases 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 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

30.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The adoption of MFRS 16 did not have any material impact to the financial statements of the Group and the Company.

31. Subsequent event

(a) On 25 February 2020, the Company proposed to establish a new employees' share option scheme ("ESOS") of up to 10% of the total number of issued shares for the eligible Directors and employees to replace ESOS 2014 which had expired on 11 August 2019.

(b) On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic, which has caused severe global social and economic disruptions and uncertainties, including markets where the Group operates.

The Group considers this outbreak as a non-adjusting post balance sheet event. The consequences brought about by Covid-19 continue to evolve and whilst the Group is actively monitoring and managing its operations to respond to these changes, the Group does not consider it practicable to provide any quantitative estimate on the potential impact it may have on the Group.

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 57 to 128 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 of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

Ng Kweng Chong	Dato' Heng Huck Lee
Director	Director

Penang,

Date : 14 May 2020

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Ng Kok Choon**, the officer primarily responsible for the financial management of Globetronics Technology Bhd., do solemnly and sincerely declare that the financial statements set out on pages 57 to 128 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 Ng Kok Choon, NRIC : 660114–07–5371, MIA CA7976, at George Town in the State of Penang on 14 May 2020.

Ng Kok Choon

Before me :

Goh Suan Bee (No.P125)
Pesuruhjaya Sumpah
(Commissioner of Oaths)
Penang

Independent Auditors' Report

To The Members Of Globetronics Technology Bhd.

(Registration No. 199601037932 (410285 - W))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Globetronics Technology Bhd., which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 128.

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 December 2019, and of their financial performance and their 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 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.

Independent Auditors' Report (cont'd)

To The Members Of Globetronics Technology Bhd.

(Registration No. 199601037932 (410285 - W))
(Incorporated in Malaysia)

Revenue recognition	
Refer to Note 2(p)(i) (accounting policy) and Note 17	
The key audit matter	**How the matter was addressed in our audit**
As the demand for the Group's products are subject to the global economic conditions and competitive pricing, the performance of the Group is vulnerable to external factors. We have identified revenue recognition as a key audit matter since the performance of the Group is susceptible to external parties expectations and hence, there is a risk that revenue may be misstated.	Our audit procedures performed included, amongst others : • Evaluated the design and implementation of control over revenue recognition; • Inspected significant new contracts during the financial year on material terms of contracts and non-standard arrangements for proper recognition in accordance with relevant accounting standard; • Agreed sales recognised before and after year end on sampling basis to the delivery documents and considered whether the sales were recognised in the appropriate accounting period; • Tested sales around year end for proper revenue recognition in the financial year by obtaining written confirmations of sales transactions from customers or compared the sales recognised to the delivery documents; and • Assessed significant credit notes issued subsequent to year end to check whether they were related to the financial year ended 31 December 2019.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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 of the Company that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report (cont'd)

To The Members Of Globetronics Technology Bhd.

(Registration No. 199601037932 (410285 - W))
(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements (cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

Independent Auditors' Report (cont'd)

To The Members Of Globetronics Technology Bhd.

(Registration No. 199601037932 (410285 - W))
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 for the current 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.

Report on Other Legal and Regulatory Requirements

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

Other Matter

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

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Dato' Ooi Kok Seng
Approval Number : 02432/05/2021 J
Chartered Accountant

Penang

Date : 14 May 2020

Statistics On Shareholdings

as at 20 April 2020

Analysis by size of shareholdings

Total number of issued shares : 669,444,558
Voting right : One vote per Ordinary Share

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Issued Shares	% of Issued Shares
1 - 99	466	5.94	21,590	0.00
100 - 1,000	1,080	13.77	707,436	0.11
1,001 - 10,000	4,064	51.80	18,173,121	2.71
10,001 - 100,000	1,774	22.61	51,253,057	7.66
100,001 - 33,472,226 (*)	459	5.85	503,872,407	75.27
33,472,227 and above (**)	2	0.03	95,416,947	14.25
Total	**7,845**	**100.00**	**669,444,558**	**100.00**

Remark: * Less than 5% of Issued Shares
** 5% and above of Issued Shares

Statistics On Shareholdings (cont'd)

as at 20 April 2020

Top 30 Shareholders

No.	Name	Number of Issued Shares	% of Issued Shares
1	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	47,629,329	7.11
2	General Produce Agency Sdn. Berhad	34,895,324	5.21
3	Ng Kweng Chong Holdings Sendirian Berhad	23,689,222	3.54
4	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad For Principal Dali Equity Growth Fund (UT-CIMB-Dali) (419455)	18,141,133	2.71
5	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	16,333,333	2.44
6	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	14,392,500	2.15
7	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - Kenanga Growth Fund	13,652,133	2.04
8	General Produce Agency Sdn. Berhad	12,892,294	1.93
9	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	12,453,900	1.86
10	Amanahraya Trustees Berhad Public SmallCap Fund	12,276,000	1.83
11	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	11,632,100	1.74
12	Citigroup Nominees (Asing) Sdn Bhd CBNY For Norges Bank (FI 17)	11,605,300	1.73
13	Lembaga Tabung Haji	9,520,600	1.42
14	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	7,508,803	1.12
15	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	7,494,300	1.12
16	Amanahraya Trustees Berhad ASN Umbrella For ASN Equity 3	7,486,033	1.12

Statistics On Shareholdings (cont'd)
as at 20 April 2020

No.	Name	Number of Issued Shares	% of Issued Shares
17	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Value Fund	7,243,000	1.08
18	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For Principal Dali Equity Fund	7,240,900	1.08
19	Ng Kweng Chong	6,979,165	1.04
20	Cartaban Nominees (Asing) Sdn Bhd Exempt An For State Street Bank & Trust Company (West Clt Od67)	6,812,066	1.02
21	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring InvestmentsSmall-Cap Fund	6,549,600	0.98
22	Amanahraya Trustees Berhad Public Strategic SmallCap Fund	6,373,366	0.95
23	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)	6,341,000	0.95
24	Amanahraya Trustees Berhad AC Principal Dali Asia Pacific Equity Growth Fund	6,263,400	0.94
25	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	6,188,000	0.92
26	Kumpulan Wang Persaraan (Diperbadankan)	5,808,166	0.87
27	Wiserite Sdn. Bhd.	5,321,412	0.79
28	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	5,225,879	0.78
29	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AsianIslamic)	5,132,000	0.77
30	Amanahraya Trustees Berhad PB SmallCap Growth Fund	4,185,300	0.63
	Total	**347,265,558**	**51.87**

Statistics On Shareholdings (cont'd)

as at 20 April 2020

Substantial Shareholdings as at 20 April 2020

	No. of issued shares held				
Substantial Shareholders	**Direct Interest**	**%**	**Deemed Interest**		**%**
Ng Kweng Chong	6,979,165	1.04	33,120,205	(N1)	4.95
Gooi Mei Hoon	2,843,866	0.43	33,120,205	(N1)	4.95
Ng Kweng Chong Holdings Sendirian Berhad	23,689,222	3.54	9,430,983	(N2)	1.41
General Produce Agency Sdn. Berhad	47,787,618	7.14	9,430,983	(N2)	1.41
Employees Provident Fund Board	90,172,595	13.47	–		–

Notes :

(N1) Deemed interested by virtue of Section 8 of the Companies Act, 2016 held through Ng Kweng Chong Holdings Sendirian Berhad, Wiserite Sdn. Bhd. and Glencare Sdn. Bhd.

(N2) Deemed interested by virtue of Section 8 of the Companies Act, 2016 held through Wiserite Sdn. Bhd. and Glencare Sdn. Bhd.

Statistics On Shareholdings (cont'd)

as at 20 April 2020

Directors' Shareholdings as at 20 April 2020

	No. of issued shares held				
Directors	**Direct Interest**	**%**	**Deemed Interest**		**%**
Ng Kweng Chong	6,979,165	1.04	33,120,205	N1	4.95
			2,894,866	N3	0.43
Dato' Heng Huck Lee	1,804,600	0.27	210,498	N3	0.03
Dato' Norhalim Bin Yunus	–	–	–	–	–
Dato' Syed Mohamad Bin Syed Murtaza	–	–	–	–	–
Dato' Iskandar Mizal Bin Mahmood	–	–	–	–	–
Ng Kok Khuan	123,333	0.02	223,160	N3	0.03
Yeow Teck Chai	146,813	0.02	194,001	N3	0.03
Lam Voon Kean	–	–	–	–	–
Ong Huey Min	–	–	230,000	N2	0.03
			56,000	N3	0.01

Notes :

(N1) Deemed interested by virtue of Section 8 of the Companies Act, 2016 held through Ng Kweng Chong Holdings Sendirian Berhad, Wiserite Sdn. Bhd. and Glencare Sdn. Bhd.

(N2) Deemded interested by virtue of Section 8 of the Companies Act, 2016 held through Grafik Impresif Sdn. Bhd.

(N3) Deemded interested by virtue of Section 59(11)(c) of the Companies Act, 2016 held through family members

List of Properties

Registered Owner/ Location	Description	Land Area (acres)	Build-up area (sq ft)	Tenure (Expiry date)	Age (Years)	Net Book Value as at 31.12.2019 (RM'000)	Date of Acquisition
Globetronics Sdn Bhd Plot 2, Phase 4, Free Industrial Zone, 11900 Bayan Lepas, Penang.	Leasehold Land	5.35		Leasehold 60 years (14-05-2051)		973	01.08.1990
	Factory Building		70,000		27	3,851	
	Factory Building		110,000		25	6,593	
	Factory Building		73,100		24	13,250	
Globetronics Sdn Bhd Lot 5 & 7, Jln SS 8/4, Kawasan MIEL, Phase II, Sg Way Baru, 47300 Petaling Jaya, Selangor Darul Ehsan.	Freehold Land	2.14		Freehold		3,987	31.12.2006
	Factory Building		39,492		46	1,702	
Globetronics (KL) Sdn Bhd Lot 1, Jln SS 8/4, Free Industrial Zone, Sungai Way, 47300 Petaling Jaya, Selangor Darul Ehsan.	Leasehold Land	0.75		Leasehold 99 years (30-10-2100)		1,574	28.07.2009
	Leasehold Land	0.31		Leasehold 99 years (11-10-2105)		664	
	Freehold Land	0.41		Freehold		1,165	
	Freehold Land	0.31		Freehold		873	
	Factory Building		103,465		47	4,132	
ISO Technology Sdn Bhd 290, 291 & 292, Phase 3 Free Industrial Zone, 11900 Bayan Lepas, Penang.	Leasehold Land	3.11		Leasehold 60 years (06-03-2050)		632	05.01.1999
	Factory Building		50,000		29	3,458	
ISO Technology Sdn Bhd 242 & 243, Lebuh Kampung Jawa, Sungai Kluang, Phase 3, FIZ, 11900 Bayan Lepas, Penang.	Leasehold Land	2.26		Leasehold 60 years Lot 1959 (21-11-2033) H.S.(D)13853 (02-03-2040)	46	907	20.11.2002
	Factory Building		67,515		39	3,255	

Globetronics Technology Bhd.
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