Globetronics Technology Bhd.

(410285-W)

ANNUAL REPORT
2017

Bridging Technologies for a Brighter Tomorrow

+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
Mr. Ng Kok Chin
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 Penang
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 Board of Bursa Malaysia Securities Berhad
Stock Code: 7022

Group Corporate Structure

Globetronics Technology Bhd
(410285-W)

100% — Globetronics Sdn Bhd
Assembly & Testing of Integrated Circuits ("IC"), Optoelectronic Products & Services

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

100% — Globetronics (KL) Sdn Bhd
Assembly & Testing of Plastic Molded & Ceramic Chip Carrier Quartz Crystal Timing Devices

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

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

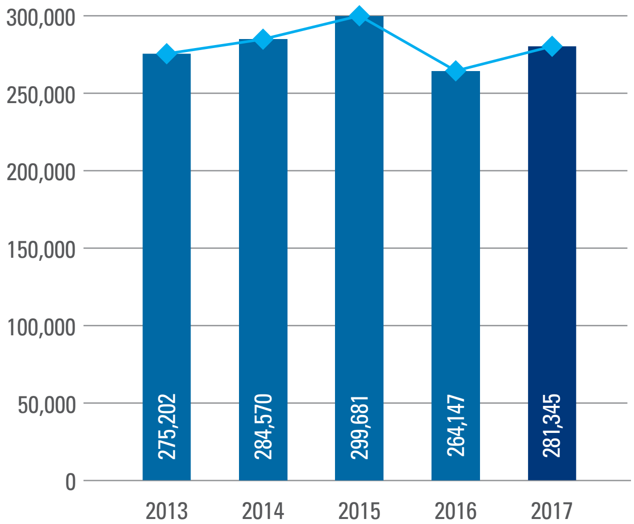
100% — Globetronics Medical Technology Sdn Bhd
Provision of Computer Hardware and Software, System Solutions and Consultations

100% — Globetronics Industries Sdn Bhd
Dormant

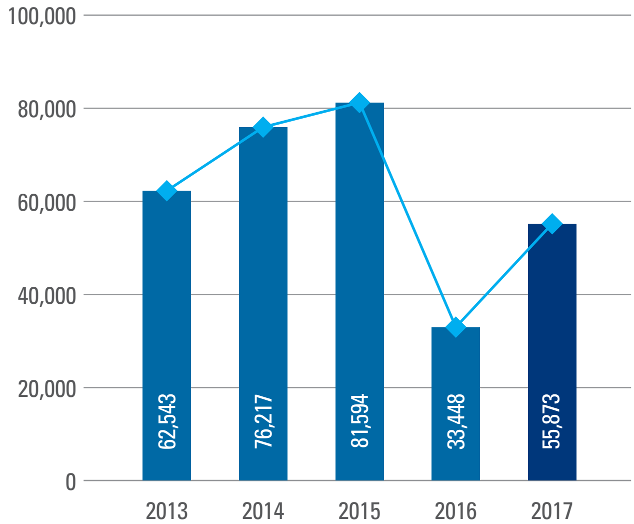
49% — NGK Globetronics Technology Sdn Bhd
Advanced Ceramic Piece-Parts Manufacturing

Financial Highlights

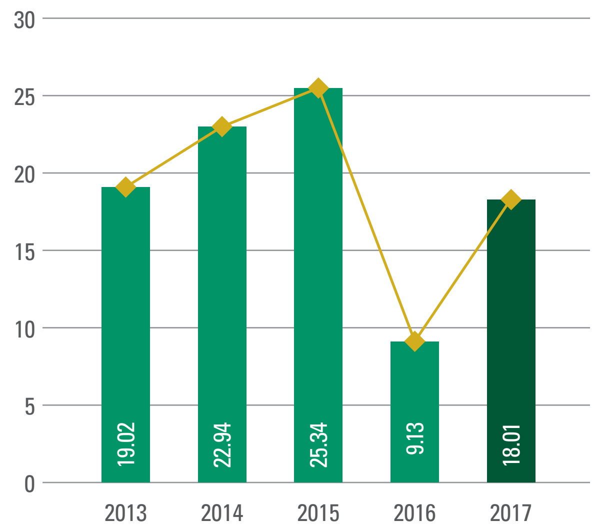
Year Ended 31 December	2013 RM '000	2014 RM '000	2015 RM '000	2016 RM '000	2017 RM '000
Turnover	321,423	355,043	343,655	215,346	304,558
Profit Before Taxation	62,543	76,217	81,594	33,448	55,873
Profit After Taxation	52,616	64,399	71,314	25,721	51,147
Profit Attributable to Shareholders	52,616	64,399	71,314	25,721	51,147
As at 31 December					
Total Assets Employed	339,393	358,197	357,418	310,414	397,143
Shareholders' Funds	275,202	284,570	299,681	264,147	281,345
Net Earnings Per Share (Sen)	19.02	22.94	25.34	9.13	18.01
Net Tangible Assets Per Share (RM)	0.99	1.01	1.06	0.94	0.99



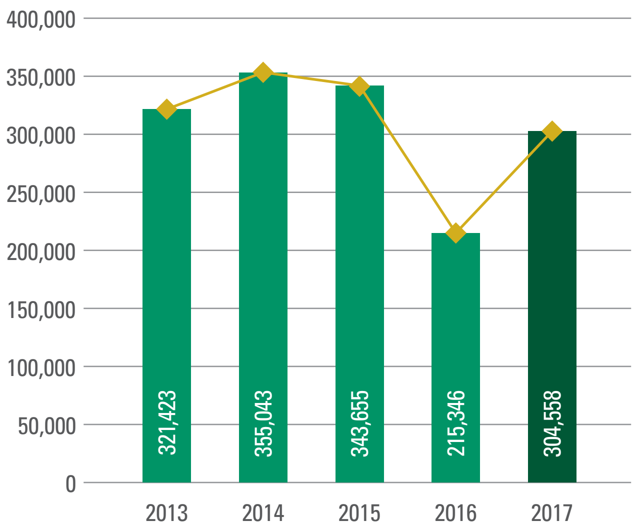
Shareholders' Funds (RM'000)



Profit Before Taxation (RM'000)

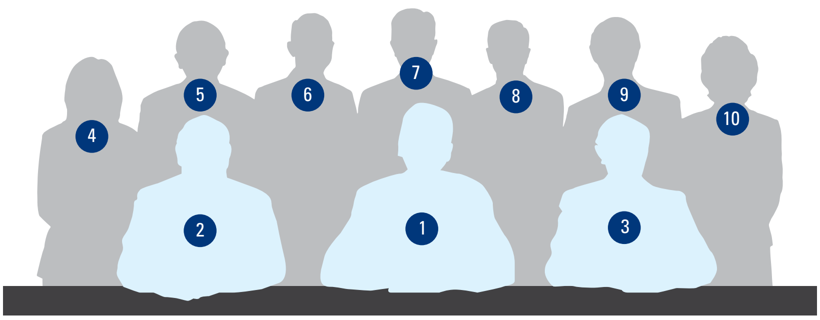


Net Earnings Per Share (Sen)



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

Profile of Directors

Aged 70, Male, Malaysian
Non-Independent Executive Director of Globetronics Technology Bhd ("GTB")

Date of appointment
Executive Chairman - 5 August 1997

Mr. Michael Ng Kweng Chong

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 a initial paid-up capital of RM3 million 26 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 eight subsidiaries & one associated company with a paid up capital of more than RM170 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 & 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 2017.

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

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

Date of appointment
Director -10 November 1997
Chief Operating Officer - July 1997
Chief Executive Officer (CEO) - January 2008

Dato' Heng Huck Lee

He graduated with a Bachelor of Applied Science (Honours) majoring in Computer/ 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, currently 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 Industry Advisory Panel ("PIAP"), USM Industry/Community Advisory Panel ("ICAP") of Faculty of Business and Universiti Tunku Abdul Rahman ("UTAR") Industrial Advisor, Faculty of Business and Finance, and Board of Director's member to the Ministry of Education Malaysia.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

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

Dato' Syed Mohamad bin Syed Murtaza

Aged 70, Male, Malaysian
Independent Non-Executive Director of GTB

Date of appointment
Director - 18 May 2011

Dato' Syed has over 48 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 such as Shell Malaysia and was the Chairman of Penang Port Commission. 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 the Audit and Risk Management Committee and a member of the ESOS and Nomination Committee in GTB.

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, D'nonce Technology Berhad, PBA Holdings Berhad and several private limited companies such as Armstrong Auto Parts Sdn. Bhd. and Penang Port Sdn. Bhd.

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 2017.

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.

Ms. Lam Voon Kean

Aged 65, Female, Malaysian
Independent Non-Executive Director of GTB

Date of appointment
Director - 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 managers 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 (KL) 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 become the Managing Director of Boardroom Corporate Services (Penang) 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 is the Chairwoman of ESOS committee 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 and Aluminium Company of Malaysia Bhd.

She attended all 5 Board Meetings held during the financial year ended 31 December 2017.

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.

Dato' Iskandar Mizal bin Mahmood

Aged 52, Male, Malaysian
Independent Non-Executive Director of GTB

Date of appointment
Director - 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 is currently the Chairman of the Board of Theta Edge Berhad, a public listed company and Group Chief Executive Officer of Granatum Ventures Sdn Bhd, a wholly-owned subsidiary of Khazanah National Berhad.

He has 29 years' experience with multitude of companies ranging from multinational to government companies and spanning from investment banking to technology sectors at all levels from hands-on operations to leadership. 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 assume other responsibilities such as corporate finance, strategic planning, business development and investor relations. In 2003, Ministry of Finance Malaysia appointed him to helm the leadership of Malaysian Technology Development Corporation ("MTDC"). He was later appointed 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 by partnering with Manipal Education Global of India to set up Manipal International University in Malaysia. He also served as the Group Chief Executive Officer 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 also sits on the Board of several technology companies. Dato' Iskandar was appointed as a Member of TH Investment Panel on 1 November 2016.

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 2017.

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 55, Male, Malaysian
Non-Independent Non-Executive Director of GTB

Date of appointment
Director - 18 July 2008

Dato' Norhalim is the Chief Executive Officer of MTDC.

Dato' Norhalim has been the CEO of MTDC since June 2008 and has extensive experience in early stage technology ventures, the commercialisation of 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.

Currently, Dato' Norhalim sits as a Non-Independent Non- Executive Director on the Board of Bioalpha Holdings Berhad.

He attended 4 of the 5 Board Meetings held during the financial year ended 31 December 2017.

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

Mr. Yeow Teck Chai

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

Date of appointment
Director - 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.

Currently, Mr. Yeow sits as an Independent Non- Executive Director on the Board of Parkson Holdings Bhd. In addition to the above, he also 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 2017.

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 67, Male, Malaysian
Non-Independent Non-Executive Director of GTB

Date of appointment
Director - 19 May 1998

He graduated with a Diploma of Business Studies in 1975 from Australia and is a member of the Malaysian Institute of Accountants. 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 is a member of the ESOS Committee of GTB.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

Mr. Ng Kok Khuan is the nephew of Mr. Michael Ng, who is a director and major shareholder of GTB and cousin of Mr. Ng Kok Chin who is a director of GTB. He has no conflict of interest in any business arrangement involving the Company.

Mr. Ng Kok Chin

Aged 65, Male, Malaysian
Non-Independent Non-Executive Director of GTB

Date of appointment
Director - 15 June 2016

He graduated from Monash University, Victoria, Australia in 1975 with a Bachelor of Mechanical Engineering. His past working experience included 3 years as Assistant Engineer in Brooklands Estate Palm Oil Mill, a palm oil mill factory from 1976 to 1979 and 11 years in General Instrument (M) Sdn Bhd/Quality Technologies (M) Sdn Bhd which manufactured opto-electronics components, as the Engineering Section Head involved in product design and development from 1979 to 1989. From 1990 to 1992, he was with Read-Rite (M) Sdn Bhd, a hard disk manufacturing company, as Production Manager before being promoted to Operations Director.

He joined GSB in July 1992 as the Deputy General Manager before being appointed as an Executive Director of GTB on 31 July 1997. He resigned from GTB on 12 January 2001. Since his retirement, he has been serving as a Director on the Boards of several private limited companies and Chairman of a voluntary society.

He attended all 5 Board Meetings held during the financial year ended 31 December 2017.

Mr. Ng Kok Chin is the nephew of Mr. Michael Ng, who is a director and major shareholder of GTB and cousin of Mr. Ng Kok Khuan who is a director of GTB. He has no conflict of interest in any business arrangement involving the Company.

Ms. Ong Huey Min

Aged 59, Female, Malaysian
Independent Non-Executive Director of GTB

Date of appointment
Director - 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.

She attended 2 of the 5 Board Meetings held during the financial year ended 31 December 2017 since her appointment on 23 October 2017.

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.

Additional informations:
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 2017.

Profile of Key Senior Management

MR MICHAEL NG KWENG CHONG

Aged 70, 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 61, 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. He was appointed as the Chief Operating Officer of GTB in July 1997 and was later promoted to be the "CEO" in January 2008.

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

MR NG KOK CHOON

Aged 52, 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.

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 in GTB.

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

ADDITIONAL INFORMATIONS:

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 2017.

MS HENG CHARNG YEE

Aged 34 , Female, Malaysian
Business & Operations Vice President

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

She started her career with Tyco, Fire & 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 a Business and Operations Senior Director in July 2016 and subsequently appointed as a Business and Operations Vice President 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 49, 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 & 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 42, 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. Ng Kweng Chong and cousin of Mr. Ng Kok Khuan and Mr. Ng Kok Chin, who are the directors of GTB. He has no conflict of interest in any business arrangement involving the Company.

Founder and Executive Chairman's Message

> **"As a result, we saw a significant improvement in financial performance for Financial Year (FY) 2017, with revenues of RM 305 million and a net profit of RM 51.1 million, representing a 41% and 99% increase respectively over FY2016 numbers."**

FY2017 turned out to be a tale of two halves for Globetronics Technology Bhd. The first half saw us putting the final pieces of the groundwork that we have started since year 2016 to pre-position ourselves for a breakthrough in operational and financial performance as we geared up to transition from our more matured product platforms to the next generation platforms. Perfectly role modelled, led, guided, groomed and motivated by our Group CEO Dato' HL Heng who singlehandedly and selflessly devoted his complete heart-and-soul plus year-long-7x24-weeks in passionately leading and motivating our whole Group's workforce and resources whose fired-up and winning spirit led our group to close FY2017 with a record-breaking profit-after-tax in the fourth quarter of the year!!

Our Group started FY2017 with a projected capital expenditure ("CAPEX") of RM60 million for a set of new sensor components that would be incorporated into new smart devices later on in the year. The end product was then successfully launched when more CAPEX were needed to support the steep ramp to satisfy our customer's needs. Our Group ended up spending a total of RM107 million in CAPEX for the year in support of the high demand of new sensors components as well as in the ramping up of existing products on top of some expansion in the LED and quartz crystal timing devices. The cumulated investment of RM107 million in CAPEX resulted in a steep volume ramp starting in Q3 2017 followed by a further surge in volumes from the sensors segment going into Q4 2017 which contributed to our Group's significant improvement in financial performance for Year 2017, with revenues of RM305 million and a net profit of RM51.1 million, representing approximately 41% and 99% increase respectively over FY2016 numbers. Dividend payouts to shareholders totalled RM45.4 million for FY2017 which translates into approximately 89% of the net profit for the year. Year-end cash-flow position remained healthy at RM116 million partly supported by USD12 million of revolving credit facilities in part-financing of the Group's huge CAPEX expansion plan. Our Group also successfully applied for and received approval from MIDA for an extension of Pioneer Status (tax free holiday) to our Group's Sensors Division (GMSB) for another 5 years till 30 June 2022!

FY2017 was also a successful year for our Corporate Planning and Finance teams which have done an impeccable job in their continuous research, education and seamless applications towards ensuring compliance to a host of revamped statutory disclosure and reporting requirements set by Bursa Malaysia, Securities Commission, Companies Commission of Malaysia, Inland Revenue Board, Malaysian Accounting Standards Board, Bank Negara, etc.

On top of all these, intense activities and road-shows in enhancing investors relations and communications were carried out by our Group CFO together with our Corporate Director who trotted the globe making more than 50 road-shows and presentations to Fund Managers mostly in Asia Pacific with local and foreign institutional shareholders, thus delivering a much healthier balance of foreign institutional shareholders increasing from 9.3% last year to 14.4% this year while witnessing our Group's market capitalization rising from RM1 billion last year to RM1.9 billion this year.

Organizationally, our Group have also made great strides in enhancing and solidifying our Group's Business Sustainability and Corporate Governance ("CG") drives with a holistic approach aligned to the global international standards on Environmental, Social and Governance ("ESG") fronts -- as further elaborated in our Sustainability and Corporate Governance Overview Statements as well as a separate CG Report disclosed to Bursa Malaysia and published in Globetronics Technology Bhd's website upon the submission of this annual report to Bursa Malaysia. Just as important, our Group continued to make excellent progress in developing and grooming various levels of succession candidates in the Leadership, Technical, Human Resources and Business Sustainability paths including the readiness of our Group's CEO/COO succession-candidate. Each of our Group's three (3) Product Divisions is now fully managed by two (2) hands-on and well-exposed Business/Operations Directors.

At this juncture, it is imperative for me on behalf of our Board of Directors, Management and Staff to convey our highest levels of respect, gratitude & appreciation to our passionate and dedicated CEO in leading and motivating our entire group of fully committed and well aligned workforce towards delivering such a set of stellar results in FY2017! By the same token, our Management team would like to convey our heartfelt gratitude and sincerest appreciation to each of our Board members for their meticulous guidance, timely support and invaluable motivation provided to our Management team in bringing the very best out of our Group through all these past years.

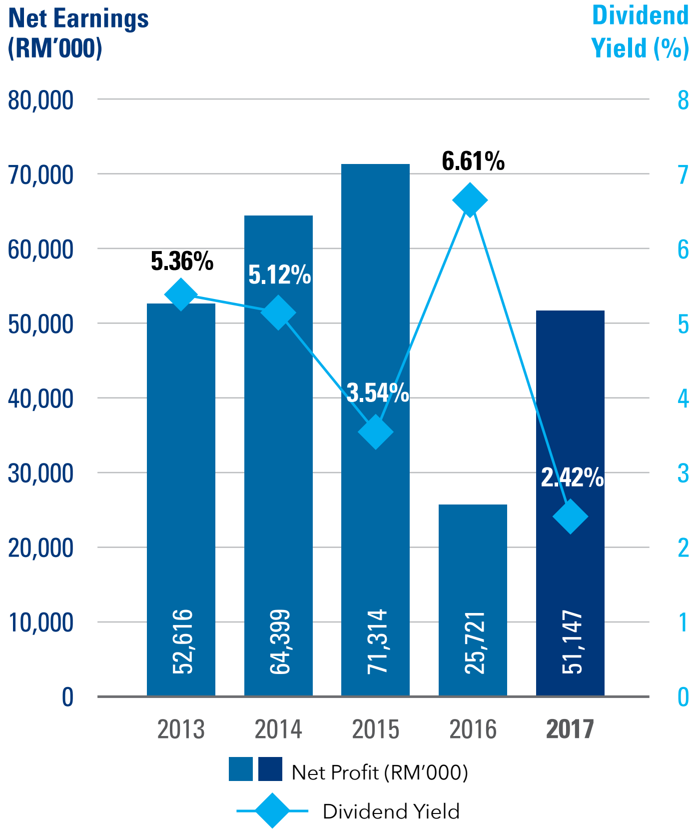
Last but not least, on behalf of Globetronics Technology Bhd and our group of companies I would like to thank each and everyone of our shareholders and stakeholders for your unfailing support and encouragement all through our Group's exciting journey over the past years.

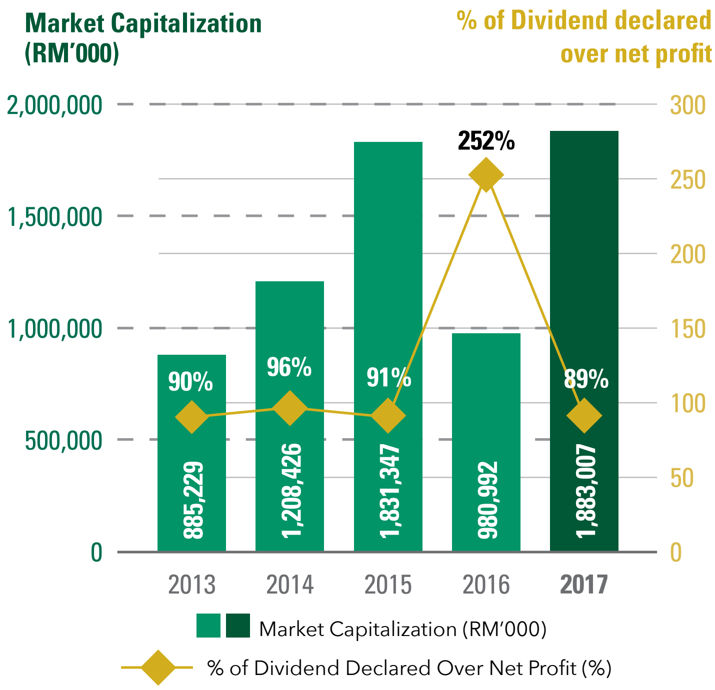
Founder and Executive Chairman's Message (cont'd)

Financials / Dividends

In spite of the record high CAPEX-spending of RM107 million in FY2017, we continued to hold firm to our belief and philosophy of always rewarding our shareholders with the highest amount of dividends that our Group's cash-flow position would allow. Over three tranches of dividend payments, RM45.4 million was distributed to our shareholders which amounted to 89% of our net profit for FY2017:

1. First interim and special dividend of 5 sen per share amounting to RM14.1 million on 29 March 2017;
2. Year 2016's single tier final and special dividend of 5 sen per share amounting to RM14.2 million on 4 July 2017; and
3. Second interim and special dividend of 6 sen per share amounting to RM17.1 million on 21 November 2017.





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

Environment / Social / Governance Initiatives

Since Globetronics' inception nearly 26 years ago, our Group have always held firm to our strong commitment of striving to be a good corporate citizen and a valuable asset in any communities and countries in which we operate in. In our Group's pro-activeness towards achieving excellence in our ESG fronts, we focus on benchmarking or modelling our applications after the best of global standards especially along key focus areas of environmental protection, conservation of natural resources, corporate social responsibilities ("CSR") that spread and share love and protection for all humans and lives on earth.

Details of our Group's passionate adoptions and applications of ESG drives are further discussed and elaborated in the following sections under Sustainability Statement in pages 20 to 25 and Corporate Governance Overview Statements in pages 30 to 33 of this report.

▲ *Donation To Penang Down Syndrome Association ("PDSA") in Conjunction With Family Day Celebrations*

▲ *Visit By Top Management Team From Kumpulan Wang Persaraan (KWAP)*

▲ *Invest Malaysia 2018 pre-site visit by Maybank Investment Bank*

▲ *Donation to Life Saving Society Malaysia*

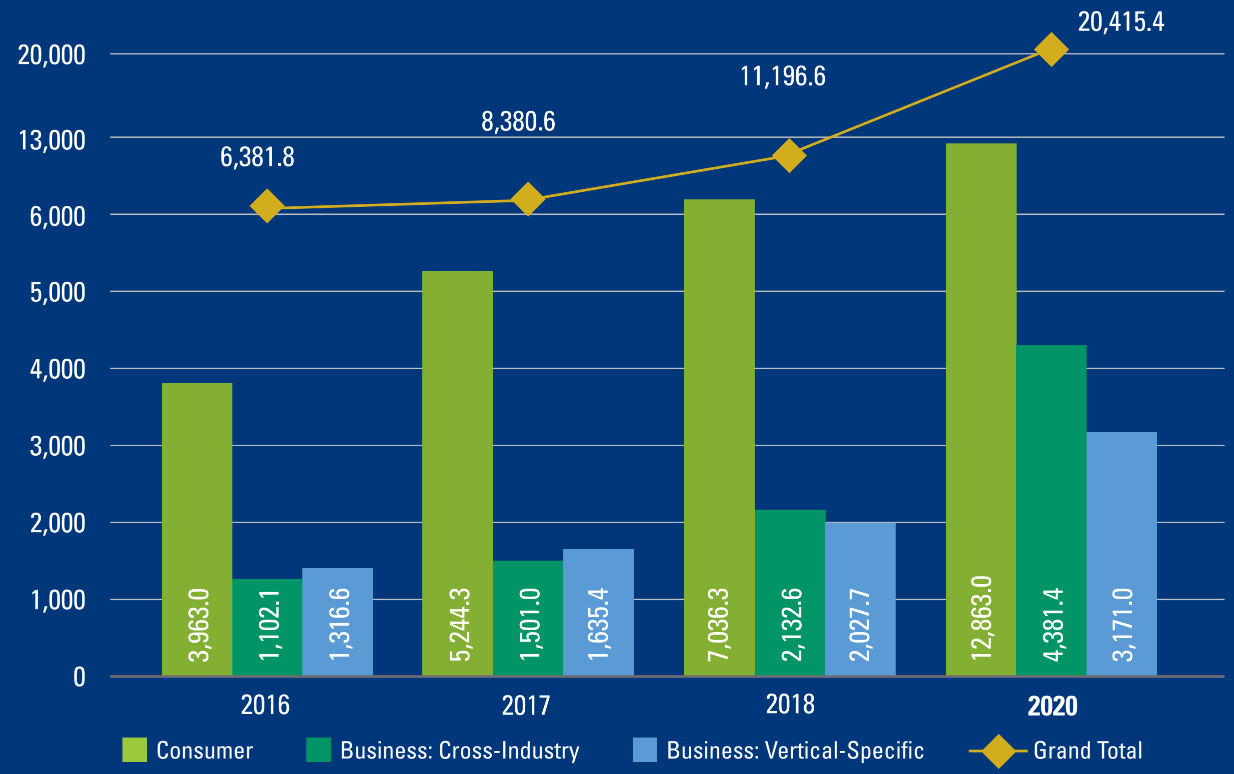
▲ *Globetronics' Sponsorship To 60th Merdeka Celebration By Malaysian Students In Australia*

Prospects and Outlook

The advent of Internet-of-Things ("IoT"), which connect a whole new set of devices to the cloud via the sensors on the ground to servers in the cloud, as enabling technology, has transformed individual lives and enterprise technologies in our world like never before.

According to Gartner report dated January 2017, 8.4 billion connected things will be in use worldwide in 2017, up 31 percent from 2016, and will reach 20.4 billion by year 2020. Total spending on endpoints and services will reach almost $2 trillion in 2017:

IoT Units Installed Base By Category (Millions of Units)



▲ Source: Gartner (January 2017)

Latest technologies like virtual reality ("VR"), artificial intelligence ("AI"), augmented reality ("AR"), autonomous vehicles, drones, advanced medical / health probe sensors, etc are all part and parcel connected to and under the umbrella of IoT. At the end of Year-2017 our world's population had reached 7.6 billion people which would mean that on average there would be 1.1 connected devices for each person on earth and it is now estimated that by year 2020, this ratio of connected devices per person in the world would be 2.5 times more!

Since the key product/component platforms that our Group engage in are in sensors, timing devices as well as LEDs, they are all necessary and integral parts of the products/components in IoT-products. It thus goes without saying that the above mentioned speed of growth of IoT/connected devices is great news to the technology industry that we participate in. While this is fantastic news and outstanding prospects for the technology industry, there is a flip side to this "speed of growth" which is the "speed of change" that comes into the picture at the same time. In our market place today this change is often times caused by what our industry termed as "market cannibalization" which essentially means that a company's sales performance of its existing and related products are "cannibalized" by the sales and demand of a new product entirely.

Closer to home, our Group had just come out of the last quarter (Q4) of FY2017 with a set of highly respectable top and bottom-line results. Just when we were all excited and charged up to continue on the volume-ramping momentum of Q4 2017 through to the second half (2H) of FY2018 in which another set of new generation products would be ready for our expected second half 2H FY2018 changeover, came the news of a "pre-matured-changeover" in one of our existing-high-volume-runners to its next generation replacement, resulting in an unexpected short-term-gap in our Group's strong business performance from March to May of FY2018.

It is fair though to point out here that our Group and our world renowned customers have encountered and successfully sailed through many similar cycles of market-demand-swings like the one mentioned above since our Group's inception, and we are confident that with the many new products/components that are being readied for our Group's 2H 2018 launch, we can look forward optimistically that the 2H 2018 may see the repeat of our strong 2H 2017 business performance while at the same time, another set of new customers/product platforms are being developed as our Group's diversification strategy that should come to fruition in late FY2018 or early FY2019 timeframe.

Management Discussion and Analysis by the CEO

"Overall, our sensor volumes ended FY2017 at more than 50 million units per month, which is more than double our previous peak of 22 million units per month achieved in FY2015, showing the strength and progress we have made in this area."

I am pleased to report that FY2017 was an inflection year for Globetronics in new product breakthroughs and significantly improved financial performance. This was contributed by a strong turnaround in our sensors division in 2H 2017 and supported by stable contributions from our quartz timing devices and LED division. We closed the year with revenues of RM305 million and net profit of RM51.1 million, which represents an increase of 41% and 99% respectively over FY2016 financial numbers.

The challenges that we faced for FY2017 were definitely a set of pleasant pressures, where we witnessed strong loadings and ramp up for key products in all our business divisions. The ability to support our customers in delivering all the volume ramps whilst maintaining the quality of products were the key performance indicators ("KPIs"), where a lot of hard work and perseverance were needed to achieve the following:

1. The hiring and integration of hundreds of employees to support the huge ramp up in the sensors division as well as quartz crystal timing devices. This involved a massive effort by the Human Resource department to obtain the workers and for Training to certify and integrate them into the production lines on a phase by phase basis.
2. The on-time delivery of all the CAPEX equipment, in phases, that we spent RM107 million on for FY2017. The timing, installation and qualification of all these equipment/tools were crucial in enabling our customers to successfully launch their products into the market on time.
3. The dedication by our production and supporting teams in spending many 24/7 workweeks to support the key ramp periods were crucial and very much appreciated. Our team had also continue to deliver an outstanding set of KPIs in manufacturing excellence.
4. New Product Introduction ("NPI") team in continually working on and delivering new products to offset the volume and Average Selling Price ("ASP") erosion of the matured product lines.

Globetronics Sdn Bhd / Globetronics Manufacturing Sdn Bhd / Globetronics (HK) Limited

The sensors division was the most exciting unit for our Group in FY2017 and is expected to remain so coming into FY2018 as well. After almost 18 months of lower demand for our existing proximity sensor product and no new components adopted in FY2016, our NPI efforts and perseverance finally paid of with 2 important components of light sensors being designed into our end customer's products in 2H 2017. The light sensors started mass production in July 2017 and managed to achieve optimum volume loadings of more than 30 million units per month starting in October 2017 to become the key product of the sensors division. We spent a total of RM80 million in CAPEX for this product and the equipment was delivered in 2 phases to cater for the volume requirements of the end customer.

As for our existing and mature sensors operation:

1. Our proximity sensors monthly volumes have actually increased from end 2016. They continue to form an important component to our customer's older version of the smart phone.
2. Motion sensor monthly volumes are stable and have been incorporated into the new wearable devices.
3. We have put in approximately RM20 million capex to increase significantly our gesture sensor monthly volumes, where the end application goes to a peripheral product of our end customer.

Overall, our sensor volumes ended FY2017 at more than 50 million units per month, which is more than double our previous peak of 22 million units per month achieved in FY2015, showing the strength and progress we have made in this area.

Our wafers and optical lens processing segment was generally weaker and quite volatile in FY2017. The sawing and sorting for general lighting and automotive products were weaker than FY2016 due to soft demand from our European customer.

As for the IRIS LED sensor supplied to a smart device customer, this was the more volatile segment as it had very strong loadings up till mid Q3 and saw a significant drop in volumes, before rebounding again toward December 2017.

The Integrated Circuits (I.C) segment remains flat and we do not see improvement in this area as growth is dependent on economies of scales from higher loadings and the need of Capex investment, something which we are not willing to provide equal focus to in terms of resources in view that they are matured products in a very cost competitive industry.

Globetronics KL Sdn Bhd ("GKL")

GKL continues to be a reliable manufacturing partner to our Japanese Quartz/timing devices customer. We are producing averagely 120 million units per month of various timing components for automotive, consumer electronics and mobile devices. In total, we manufacture around 10 product models for our customer who is the world's biggest producer of timing devices in terms of monthly production output.

To maintain their leadership position in this space, our Japanese customer puts a lot of focus on product streamlining and re-allocation, relentless productivity and cost reduction drives to ensure that the ASP of their products remain competitive globally. The key to achieve win-win with them lies in our efforts and creativity to make continuous breakthroughs in reducing our operating costs and deliver manufacturing excellence.

Company Guide

Globetronics Technology

Version 13 | Bloomberg: GTB MK | Reuters: GNIC.KL

Malaysia Equity Research

BUY

Last Traded Price (21 Sep 2017): RM6.21 (KLCI : 1,771.04)
Price Target 12-mth: RM7.65 (23% upside) (Prev RM7.65)
Shariah Compliant: Yes

Securities

AFFIN HWANG CAPITAL

Taiwan NDR takeaways: a good turnout

Company Update

Globetronics

RM6.14 @ 11 December 2017

BUY (maintain)

Price Target: RM8.00

Biz

Robust demand for chips

Globetronics gets unprecedented growth in product orders, expects sterling first quarter

新感應器產品錢景佳

東益電子看高一線

GTRONIC 東益電子

Output growth in all divisions good news for chip maker after a challenging FY2016

Biz

Globetronics plans to ramp up capacity

Tech company refutes suggestions its products are not in demand

Globetronics' sensor production poised to hit record high

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

Our aggressive efforts in driving a lean and competitive organization paid off when we were allocated more volumes loadings in Q4 2017 when our customer decided to transfer volume from their Japan and China factories. This represented a challenge to us as the simultaneous ramp of the sensors division resulted in us being in a headcount deficit situation for operative and technical supporting staffs.

The team had to catch up with overtime support until the entire headcount shortage was met in November 2017. While volume loading expanded healthily from this new volume allocation, revenues would not show a corresponding increase as we needed to support our customer with further ASP reduction to maintain their competitive advantage.

To ensure continued growth in our business portfolio, we remained steadfast in reinventing our manufacturing processes to stay lean and competitive to support our customer in remaining the market leader in this segment. While we continue to focus on fully supporting our customer as key manufacturing partner, we also remain on the lookout for new business opportunities with the experience and capabilities we have built up to further consolidate and diversify our volume loadings.

Pending the fruits of new business opportunities, we are expecting FY2018 to be marginally up due to the above new volume allocation.

ISO Technology Sdn Bhd ("ISO")

The LED business division saw growth overall in FY2017, although individual customers showed a mixed bag of fortunes. Volumes for the niche LED segment for general lighting to a US customer continues to show strong growth in FY2017, as the end products gains acceptance globally. The average monthly volume for this product have tripled if compared to the average for FY2016, so this represents one of the key bright spots in the LED division. We also saw good progress with our fibre related products for a big US customer where volumes had also grown by more than 20% toward end of FY2017. While FY2017 would be a relatively flat and stable year for this subsidiary, our efforts to bring in revenue growth with our existing and new potential customers are bearing fruits. The materialization of these new businesses would grow ISO to be a much bigger subsidiary toward the end of FY2018.

We are working to secure 2 new projects that can potentially be a new contribution factor to the Group in the coming years:

1) If our laser auto headlamp successfully goes into mass production, we will become one of the 3 major manufacturers of this product globally. The product development and qualification is making good progress and samples have been given to end customer for testing and design-in. We are expecting to have some small mass production in end of FY2018. It will initially be targeted at the premium models of the automobiles, and subsequently to move into mass adoption as product, technology and costs improve. A successful adoption of this product would diversify our portfolio into the exciting automotive segment and away from our heavy concentration on consumer electronic products. Overall, this US customer is shaping up to be another very exciting growth area for ISO, and we look forward to it having an even more significant contribution once the laser headlamp products turn on.
2) Together with a new US start up, we are in the engineering build phase for a Bio sensor that will be adopted into premium smart phones as a standard feature. Initial samples presented to 2 major smart devices customer were very positive. Both customers had given strong indication and commitment to design in this feature into the next smart device that will be launched at the end of FY2018.

Prospects

We are excited at our prospects for FY2018 and beyond. The adoption of our light sensors into the new smart devices would be seeing a more pronounced contribution, as compared to only about six months of strong loading in FY2017. This alone would provide us with a very strong foundation base for the upcoming year.

The NPI team has already started work on version 2 of the light sensor and this is expected to further complement the existing light sensor to provide an even more robust product in FY2018, with some mass production expected to happen by Q2 2018. We are also expecting more upside potential for our gesture sensor product, if the downstream box build supply chain issue is resolved, we expect the peripheral product to be bundled in with the smart phones (as opposed to being sold separately now), thereby providing more opportunities for growth in this area.

On top of this, the many new products still in development stage like imaging, health and depth sensors also have the potential to be incorporated into the end customer's products in FY2018. For sensors, there is also another new MNC customer we are working with on a new sensor product that could potentially start mass production by Q3 2018. So if you look at our product pipeline, there are many new exciting products that drive growth further especially from the sensor segment.

With so many new technological applications coming in like augmented reality, virtual reality, autonomous driving, etc, there are many areas that we can contribute our expertise and experience to make these into reality. The laser headlamps we are working on that is getting close to mass production is another example of how we are going to combine our LED expertise with sensor technology to not only provide long distance illumination, but to navigate the respective safety concerns as well when it is utilized on the road.

Risks

In view of the steep ramp up in the sensors business, customer concentration would be one of the risk areas for us in terms of dependence on our immediate as well as end customer. This is due to the fact that our product loadings would be directly correlated to the end demand of the smart devices. Through our experience of working with this customer for the past 5 years, we are aware that the loading linearity may fluctuate periodically and this may result in us not being able to enjoy the optimum cost benefit of a linearized monthly loading during certain months. We are anticipating some volume drop for our new sensors in late Q1 and into Q2 2018 due to excess in the supply chain and as the product transitions to the next generation model.

Overall, with LED and quartz timing devices being the other two major revenue contributors, we can say that our top five customers of the Group make up a very significant portion of revenues. While we acknowledge the concentration risk, it has been our business model for the past 26 years, and we believe that delighting our key group of customers and making them successful would eventually translate to more business for us. On the other hand, we have to be mindful of the fact that volume expansions from our mature, labour intensive businesses come with ASP erosion, and coupled with input cost increases in labour, make these businesses not a strategic fit for us due to the big margin compression. We will continue to evaluate these factors when making decisions on expansion and capex investment, and remain flexible to reorganize our business portfolio to one that makes the most sense to the group.

On the forex front, as approximately 50% of our revenues are generated in USD, we would suffer some non-operational losses should the ringgit continue to strengthen.

Sustainability Statement

Globetronics strives to be a reliable and competent manufacturing partner to our world renowned customers in bringing the latest technological components and applications into smart devices to improve the lives and connectivity of global consumers. As a homegrown Malaysian company, Globetronics is committed in making sustainability a part of our organizational values in evaluating our business strategies and decisions. We believe that striking a balance between achieving operational profitability whilst simultaneously focusing on the economic, environment, society ("EES") criterias are essential elements in enabling our company to succeed now as well as into the future.

We would officially be adopting sustainability reporting into our annual report this year and the areas listed are issues which we feel are most impactful to the sustainability pillars of EES. 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 and practicing the 3R's (Reduce, Reuse, Recycle) in our business operations.

The Board leads the Group in embedding sustainability as part of our business strategy going forward. The Group has drafted a Sustainability Policy which will be proliferated to our employees and govern the way we do business 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

Period covered: Financial Year ended 31 December 2017 (January 2017 to December 2017)

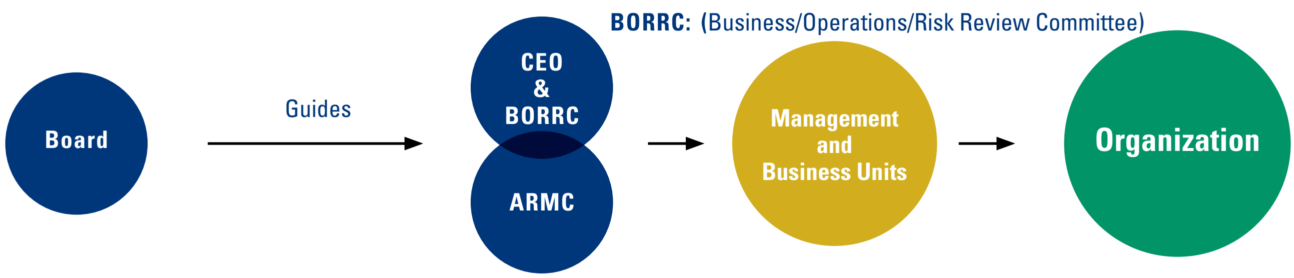
Coverage

This report covers all our manufacturing sites that are currently located Malaysia, namely the states of Penang and Kuala Lumpur.

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.

Sustainability Governance Structure



Stakeholders Engagement and Prioritization

Stakeholders represent the diverse group of parties that have a degree of interest and influence on the company and the way it operates. Globetronics 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. Some of our key stakeholders and the type of engagement we have with them are summarized as below.

Stakeholder Group	Type of Engagement
Customers	Dialogue / Conference Calls Status updates and operational presentations Line and systems audit
Employees	Health and Safety Talks Open Forum & Suggestion Box Volunteer & Recreation Programs Annual Appraisal
Investors	Quarterly results briefings Roadshow and Non-Deal Roadshows Investor conferences
Media	Interviews -> Articles and Press Releases
Government	Success story sharing Participation in forums and exhibitions

Materiality Assessment

Our materiality assessment process is done through the identification of the stakeholders and the issues that we feel are material to our company, and prioritizing them to focus on important areas that have the most impact to the organization and stakeholders. The following are some of the important areas in the aspects of EES in the organization after the assessment.

Identifying Sustainability Matters

Key Stakeholders & 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

Key Sustainability Matters Indentified

Economic: 1. Manufacturing excellence
2. Supply chain management and local precurement
3. 3Rs - reduce, reuse, recycle
4. Data integrity and cybersecurity

Environment: 1. Scheduled waste management
2. Energy efficiency
3. ISO 14001

Social: 1. Employee health and safety
2. Human capital development
3. Workforce diversity
4. Social contributions and community projects

ENVIRONMENT

Environmental Management

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.

Emissions to the air are not significant in our operations and 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.

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 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	2016 (kg)	2017 (kg)
Container contaminated with epoxy	501.4	5,224.8
Rags, plastics or filters contaminated with chemicals	186.0	821.0

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 energy reduction, we have implemented the Intelligent Flow Controller ("IFC") to the air compressor systems of our subsidiaries and are on track with our 2 year program to upgrade a majority of our current facilities equipment for all our subsidiaries to be benchmarked to the government's standard of Energy Efficiency. For our new projects, the chiller systems that we are installing would also be of the more energy efficient variant. Currently, all our Penang manufacturing factories are certified to the international environmental management systems standard, ISO 14001.

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. While previous proposals and applications that were submitted to Sustainable Energy Development Authority ("SEDA") for approval had not been successful due to quota-limit of approvals being reached previously, new and enhanced proposals are now in the works for implementation in the near future.

Sustainability Statement (cont'd)

ECONOMIC

Supply Chain Management

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 & Ranking system using QCDS (Quality, Cost, Delivery, Service) to ensure that Globetronics consistently has a reliable and reputable supply chain to provide the best service and support to our customers.

Local Supply Chain

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 complimentary services to big global customers. As these Multi-National 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 Auto Optical Inspection ("AOI") and automation machines from local Malaysian companies when we automate our current production processes or set up new manufacturing lines. While the reputation of these companies are still not as established as their foreign counterparts, we have worked with them through collaboration and customization to come up with equivalent quality machines that we have since installed in our lines. For our recent expansion in volume of one of our product lines for a Japanese customer, we had also engaged local suppliers to facilitate the production line expansion. To date, the amount of equipment / machines we have sourced from these local suppliers are as follows:

Year	Activities	Amount (RM)
2016	Upgrade of AOI Machine	0.10 million
2017	Purchase of new AOI machines for new products	10.90 million
2017	Expansion of product line for Japanese customer	1.42 million

The percentage of local procurement for Year 2017 is more than 40% for our new sensor products.

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.

Reduce, Reuse, Recycle

For Globetronics, 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 of 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:

1. **Tray cleaning services**
   Description: Trays used to ship back products to customers in the appropriate dimensions where we provide services to clean the trays after every shipment to enable the trays to be reused.

2. **Conversion of old equipment for new project**
   Description: Conversion of fully depreciated die attach machines in sensors division to be used for new smart sensor project in 2017. The machines had to be refitted with new fixtures and showerheads to cater for the project.

   Total investment: RM 0.2 million

   Number of die attach machines: 20

Manufacturing Excellence and Continuous Improvements

Globetronics 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 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 Company has over the years put in resources to reduce the use of paper in our operations. Our subsidiary company Globetronics Medical Technology Sdn Bhd ("GMT") had come up with our own Enterprise Business Operating System ("ebizOS") system whereby our main business functions are interconnected through this feature.

The result is an ability to link and do a live tracking on our key business metrics in the area of production, shipping, store, human resource, purchasing, etc -> thus improving turnaround time and also reducing the need of manual tracking and paper usage. The latest improvement we have put in place is to migrate the tracking of individual lots (lot traveler) into the system of one of our subsidiaries, and thus going paperless. The lot traveler is a very important document to the customer and the successful implementation of this paperless tracking have enabled the customer to have real time tracking of the production process up to an individual lot, with the customer expressing their sincere appreciation for this successful implementation. We plan to expand this coverage to other lines after starting with this successful pilot run for one customer.

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. Our new sensor line for Year 2017 also features a SMT process which is a new requirement that has been successfully qualified for Globetronics.

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 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 Company 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.

Data Integrity and Cybersecurity

Data integrity and cybersecurity 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 ransom ware virus attack in 2017.

Globetronics takes the case of integrity seriously and is imposed as one of our core values. In terms of data integrity and financial reporting, all financial information goes through appropriate reviews before being announced as public information. On a monthly basis, all the heads of subsidiaries would present their monthly financial performance to senior management. In this session, all details of operations are analyse to ensure that the necessary controls are in place and accounted for. Every quarter, the quarterly financial numbers would also be presented to the ARMC for a thorough review before it is finally approved by the Board for release to the public.

The ransom ware virus attack of 2017 had also exposed the vulnerability of many firms globally to cyber attacks. Whilst no system is fool proof against these attacks, Globetronics is continuously 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, Globetronics needs to ensure a reliable and accurate live tracking of its data to ensure uninterrupted delivery of its production lines.

For our critical new sensor projects in 2017, we have made additional investments into parallel run servers that acts as a reliable back up function in the event that the in-use server goes down, thus providing a double buffer to secure important product information. We target to implement this program to all upcoming key projects in the future.

SOCIAL

Employees

We have a total headcount of approximately 2,200 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

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. Environmental, Health and Safety ("EHS") Committee within the Group ensure 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. At the Group's manufacturing locations, we have continued to ensure that equipment and building systems are functioning properly and are well maintained.

Human Capital Development

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 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 with the Group of companies.

Sustainability Statement (cont'd)

Commitment to 100% appraisal of employees	Percentage of employees appraised			
	2017	2016	2015	2014
	100%	100%	100%	100%

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. The amount we spent for human capital development in Year 2017 is RM214k.

Employee Welfare

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. Activities carried out include medical health screening and awareness programmes and recognition of long service. We continue to promote healthy lifestyles and team cohesiveness by sponsoring free courts and consumables for our employees to participate in sporting activities, and have hired professional instructors to conduct exercise lessons for our employees after office hours as well. 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.

▲ *Blood Screening Program For Employees*

▲ *Zumba Lesson For Employees After Office Hours*

Workforce Diversity

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 27 : 73. We are also proud to say our leadership is also balanced, with women making 32% of positions of manager and above.

	Women Percentage
Overall workforce	79%
Management	31%
Board	20%

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.

Religious beliefs are respected and promoted, an example of this being that places of prayer for our Muslim employees are provided and canteens are segregated during the fasting holy month to cater for their needs, and we celebrate together the various cultural festivals in Malaysia.

Social

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.

Continuing on the support for our CSR partners Penang Down Syndrome Association ("PDSA"), we participated in PDSA's family day celebrations with a delegation of our employees playing games with the children, providing a buffet lunch as well as special gifts for the participants, much to the delight of the children at the center. We continued with our financial contribution to PDSA this year for the continued running and upgrades of the home. During the year, our employees also volunteered to accompany the children during their outings to various places in Penang.

▲ *Donation To PDSA In Conjunction With Family Day Celebrations*

Sustainability Statement (cont'd)

▲ *Donation To PDSA In Conjunction With Chrismas Charity Sales At Globetronics*

To further encourage the rise of local talent in fulfilling the industry needs, we continue with the sponsorship of our scholarship program to help eligible local students to further their tertiary education.

In support of the government's efforts to promote unity and cordial race relations, we had also sponsored and participated in a Merdeka 2017 celebration of Malaysian students in Australia to celebrate our country's 60th Merdeka celebration. Merdeka Festival is an annual collaborative effort event organised by the Malaysian Student Organisations ("MSOs") ranging from University of Melbourne, RMIT University, Monash University, Deakin University, Swinburne University and Victoria University to commemorate the Independence Day of Malaysia. Merdeka Festival, driven by a team of highly enthusiastic students aspiring to build a united and patriotic Malaysian community in Melbourne, Australia. Overall, Merdeka Festival runs by students for students, serves as a platform to unite all Malaysians studying and living in Melbourne regardless of ages, races and religions.

▲ *Globetronics' Sponsorship To 60th Merdeka Celebration By Malaysian Students In Australia*

An often neglected area or difficult to measure statistic is on the issue of drowning in Malaysia. With most cases caused by ignorance or carelessness, we are of the belief that sponsoring awareness and prevention programs would play an important role in helping our local community be aware of the dangers of drownings and help to reduce fatalities in this area. It is with this belief that we had been a sponsor to Life Saving Society Malaysia for the past 2 years.

The worst flooding in the state of Penang in many years fortunately did not affect our manufacturing facilities. It did however affect the lives of many locals including our employees who suffered losses in personal capacity during the floods. Not neglecting the fact that charity starts at home, Globetronics stepped in to offer help to a number of its employees affected by the floods with financial aid.

▲ *Flood Relief Program For Employees*

The other area of contribution by our Group mainly initiated by our CEO, would be in the area of corporate social works such as:

1. Supporting our Government agencies in promoting foreign investments into Malaysia;
2. Assisting and sponsoring local, small and medium industries along technologies growth; and
3. Promoting entrepreneurship within the Malaysia business circles by sharing our success stories in technology conferences or discussions.

Overall, we aim to bring a holistic approach in supporting our local community from the contributions to various local societal organizations, academia and even the police force to make the community we operate in a better place.

Audit And Risk Management Committee Report

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

The Audit and Risk Management Committee ("ARMC") of Globetronics Technology Bhd ("GTB") is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2017 in compliance with Paragraph 15.15 of the Main Market Listing Requirements ("Main Market LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

ARMC was established to serve as a committee of the Board and it 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:

Members	Number of Meetings	
	Held	Attended
Dato' Syed Mohamad Bin Syed Murtaza Chairman/Independent Non-Executive Director	6	6/6
Mr. Yeow Teck Chai Independent Non-Executive Director (Resigned on 23 October 2017)	5	5/5
Ms. Lam Voon Kean Independent Non-Executive Director	6	6/6
Ms. Ong Huey Min Independent Non-Executive Director (Appointed on 23 October 2017)	1	1/1

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 Main LR which stipulate that at least one (1) member of the ARMC must be a qualified accountant.

COMPOSITION AND MEETINGS (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 2017 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
23 February 2017	Unaudited fourth quarter results of the Group for financial year ended 31 December 2016
25 April 2017	Unaudited first quarter results for the period ended 31 March 2017
25 July 2017	Unaudited second quarter results for the period ended 30 June 2017
31 October 2017	Unaudited third quarter results for the period ended 30 September 2017

The review of the unaudited quarterly financial results to ensure the disclosures are in compliance with the Financial Reporting Standard 134 – Interim Financial Reporting and latest requirement of applicable disclosure provisions in the Main Market LR.

The Committee had identified financial reporting standards that may have a significant impact on the Group's financial statements for the financial year ended 31 December 2017 specifically MFRS 9, Financial Instruments and MFRS 15, Revenue from Contracts with Customers.

The ARMC had also reviewed the audited financial statements of the Company and the Group for the financial year ended 31 December 2017 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 members 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 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 provided by external auditors. The amount of audit and non-audit fees are disclosed in the Additional Compliance Information on page 34;
- 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.

COMPOSITION AND MEETINGS (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 Audit and Risk Management Committee 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 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 adequately resourced 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 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 2017 :
- Reviewed updated risk management framework that identifies principal risks within the group and provided action plan to mitigate them in the context of customer exposure and operational efficiencies.
- Assessed Malaysian Financial Reporting Standards ("MFRs") specifically MFRS 9, Financial Instruments and MFRS 15, Revenue from Contracts with Customers that may have significant impact on the Group's financial statements for the year ended 31 December 2017.
- Internal audit review:
  (a) Reviewed and audited the store and purchasing functions in our KL operations; and
  (b) Carried out audit and review of fixed assets (machineries and equipment) for certain of our Penang subsidiaries.

During the financial year ended 31 December 2017, the total cost incurred for the internal audit functions was RM160K.

COMPOSITION AND MEETINGS (cont'd)

Training Attended by the ARMC
For 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	Usains Strategic Retreat	Usains Holding Sdn Bhd	20 - 21 Jul '17
	HRDF Dialogue with Registered Employers	Human Resource Development Fund (HRDF)	11 Aug '17
	Tax & Trade Show	Wong & Partners	24 Aug '17
	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	Bursa Malaysia	6 Sep '17
	Special Programme on KPT Development Blue Ocean Strategy	Ministry of Higher Education Malaysia	18 - 19 Sep '17
	Launching Ceremony on Infrastructure Cyber Malaysian Research and Education Network	Malaysian Research and Education Network (MYREN)	4 Oct '17
Mr. Yeow Teck Chai	Business as a force for good. The role of the private sector in achieving the Sustainable Development Goals	Security Industry Development Corporation (SIDC)	25 May '17
	Driving Financial Integrity and Performance Enhancing Financial Literacy for AC	Bursa Malaysia and Axcel Asia	1 Aug '17
	Leading in a Volatile, Uncertain, Complex, Ambitious (VUCA) Environment	Bursa Malaysia and Iclif	13 Oct '17
	Effective Internal Audit Functions for Audit Committee	Bursa Malaysia and Institute of Internal Auditors	20 Oct '17
Ms. Lam Voon Kean	Corporate Governance and Listing Requirements Market Talk	KPMG	15 May '17
	Fraud Risk Management Workshop	Bursa Malaysia	13 Jul '17
	Malaysian Code On Corporate Governance: A New Dimension Programme	Securities Industry Development Corporation (SIDC)	21 Aug '17
	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers - Corporate Disclosure Framework	Bursa Malaysia	6 Sep '17
Ms. Ong Huey Min	Related Party Transactions - Their Implications To The Board of Directors, Audit Committee & Management	Malaysian Institute of Corporate Governance (MICG)	13 Jan '17
	Sustainability Reporting - What It Is & How To Go About Reporting	Malaysian Institute of Corporate Governance (MICG)	13 Jan '17
	Mandatory Accreditation Programme For Directors of Public Listed Companies	The Iclif Leadership and Governance Centre	27 - 28 Jul '17
	2017 National Tax Conference	Chartered Tax Institute of Malaysia (CTIM) and Lembaga Hasil Dalam Negeri (LHDN)	25 - 26 Aug '17
	The New Malaysian Code on Corporate Governance 2016 - "How To Walk The Talk"	Malaysian Institute of Corporate Governance (MICG)	18 Sep '17
	The Companies Act 2016 - Key Changes And Implications To Directors And Management	Malaysian Institute of Corporate Governance (MICG)	18 Sep '17
	KPMG Tax Seminar	KPMG	20 Nov '17

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 2017 further commended that the ARMC has the right composition, and sufficient, and relevant skills and expertise.

Corporate Governance Overview Statement

Corporate Governance Overview Statement is prepared in accordance with Practice Note 9 of Main Market Listing Requirements ("Main Market LR") and The Malaysian Code of Corporate Governance ("MCCG") issued by Securities Commission Malaysia. This statement gives the shareholders an overview of the corporate governance (CG) practices of the Company during financial year 2017. This Corporate Governance Overview Statement is to be read together with the CG Report based on a prescribed format as outlined in paragraph 15.25(2) of the Main Market LR. 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.

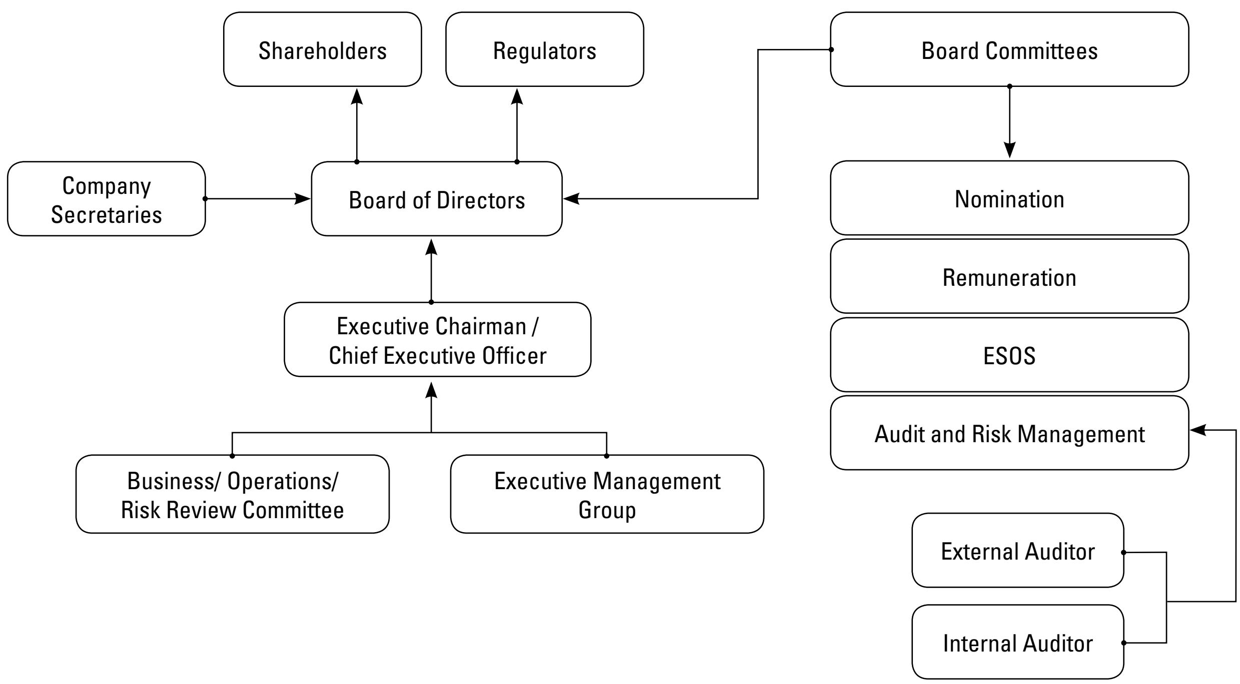
The Chief Financial Officer conducted a briefing to the Board on MCCG which takes on a new approach to promote greater internalization of corporate governance culture following the release of the MCCG by the Securities Commission Malaysia (SC) in April 2017, A checklist of the CG practices with the status of compliance was also presented to the ARMC in June 2017 and to the Board in July 2017. This provides awareness and preparation to the Board to embrace the revised CG culture. The Board reviewed the CG practices and decided on the action plans that would raise the bar of CG standard according to the MCCG guide through out year 2017. The focus of year 2017 is further elaborated below according to the three broad principles of MCCG.

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



The Chairman is responsible for leadership of the Board and is pivotal in creating the conditions for overall Board, Board Committees 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 approved in July 2017. The Board had also reviewed and approved the Principles of Business Conduct to ensure integrity is in practice at all times throughout the organization. Further to this, the Board has put in place 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.

Corporate Governance Overview Statement (cont'd)

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

I. BOARD RESPONSIBILITIES (cont'd)

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.

In order to fulfill their duties, procedures are in place for the board members to seek independent advice and advice and services of the Company Secretaries who are responsible for advising the Board on governance matter. The Company Secretaries are the members of Chartered Secretaries Malaysia ("MAICSA") and have years of working experience with sufficient skills, knowledges 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 reviewed its Diversity Policy in July 2017 and it is available for reference at the Company's website, www.globetronics.com.my.

The overview of the Board composition, balance and diversity as of 31 December 2017 is as the below tables:

Independent and Non-Independent Directors	
Independent Director	50%
Non-Independent Directors - Executive	20%
Non-Independent Directors - Non-Executive	30%

Gender Diversity		Race/Ethnicity Diversity		Age Group Diversity		Board Experience	
Male	80%	Malay	30%	70 years and above	20%	Multinational/International	90%
Female	20%	Chinese	70%	61-69 years	50%	Science/Engineering/Bio Industry	70%
				60 years and below	30%	Accounting/Finance/Economic	60%
						Public/Legal/Regulatory Affair	40%

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

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

The Board supports diversity within its Board of Directors, including gender diversity. In line with CG practice, the Board has appointed Ms Ong Huey Min as a member of the Board on 23 October 2017 following the retirement of Dato Ng Kweng Moh. The Board is committed towards achieving the gender diversity with a 30% of female members.

In terms of independence, the Board is adopting the best practice as propounded by the MCCG, which set the tenure of the independent directors to be capped at nine (9) years. None of the Independent Directors have served a cumulative term exceeding nine (9) years.

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, 2011	6.9
Dato' Iskandar Mizal Bin Mahmood	16 May, 2012	5.9
Mr. Yeow Teck Chai	16 May, 2012	5.9
Ms. Lam Voon Kean	15 May, 2013	4.9
Ms. Ong Huey Min	23 October, 2017	0.4

*as at 26 March 2018

During the year an evaluation of the Board's effectiveness and composition, including the effectiveness of the ARMC, Nomination Committee, Remuneration Committee and ESOS Committee was 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, understanding in more depth the challenges to GTB business coming from volatility in market, ensuring the right balance between discussion and decision in Board meetings and continued focus on risk and the company's risk appetite through ARMC. 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 framework for Directors as well as the remuneration packages of Executive Directors and Senior Management. The policy practiced on Directors' and Senior Management's remuneration by the RC is to provide the 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 with those of the shareholders.

None of the Executive Directors and Senior Management participated in any way in determining their individual remuneration. Executive Directors' and Senior Management's 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 the recommendation of the RC once every 2 years and subject to the approval of shareholders in the AGM. The Committee meets when necessary. For the financial year ended 31 December 2017, 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	105,000	105,000
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 are provided in the CG report.

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 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, 2017, six (6) ARMC meeting 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 page 27 and 28 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. Currently this practice is stated in the External Auditors Policy. Based on the External Auditors Policy, ARMC also assessed the suitability, objectivity and independence of the external auditor.

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. Details of Risk Management and Internal Control which provides an overview of the Group's risk management and internal control framework is set out on pages 35 to 37 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 Company holds presentations and conducts meetings with its institutional shareholders and analysts throughout the year. The Chairman and the Executive Directors, 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 2017, the management held and/or attended more than 50 meetings / roadshows with fund managers and analysts in Kuala Lumpur, Singapore, Hong Kong, Taipei and Tokyo.

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.

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 despatched the Notice of 20th AGM at least 21 days ahead as per requirement of Companies Act 2016 and Listing requirement providing sufficient time for shareholders to review the Notice of AGM and appoint proxies to attend the AGM if necessary. The Notice of AGM is also advertised in the The Star newspaper for the benefit of shareholders. Press interviews are done after the AGM where the Board members / CEO answer questions in relation to the Group's operations and prospects.

An overview of the Company's results and prospect is given by the Chairman at the Annual General Meeting prior to the commencement of the formal business of the meeting. Members of Board are present at the meeting to respond to the questions raised by the shareholders or proxies. The Company implements manual poll voting and all shareholders are briefed on the voting procedures by the poll administrator.

In line with good CG practice, notice of 21st AGM would be given to the shareholders at least 28 days prior to the meeting to ensure that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the AGM. Further to this, electronic poll voting will be implemented at 21st AGM for greater transparency and efficiency in the voting process.

The Corporate Governance Overview Statement was approved by the Board of Directors on 26 March 2018.

Additional Compliance Information

1. Meeting Attendance Record for 2017

Directors' attendance record at the AGM, scheduled Board meetings and Board committee meetings, for the year ended 31 December 2017 was 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.

			Board		Audit and Risk Management Committee ("ARMC")		Nomination Commitee ("NC")		Remuneration Committee ("RC")		Employees Share Option Scheme ("ESOS") Committee	
Directors	**Independence**	**Annual General Meeting**	**Membership**	**Attendance**	**Membership**	**Attendance**	**Membership**	**Attendance**	**Membership**	**Attendance**	**Membership**	**Attendance**
Mr Michael Ng Kweng Chong	Non-Independent	√	Chairman	5/5					Member (resigned on 31 Oct 2017)			
Dato' Heng Huck Lee	Non-Independent	√	CEO	5/5								
Dato' Syed Mohamad Bin Syed Murtaga	Independent	√	Member	5/5	Chairman	6/6	Member	2/2			Member	2/2
Dato' Norhalim bin Yunus	Non-Independent	√	Member	4/5					Member (appointed on 1 Nov 2017)	1/1		
Dato' Iskandar Mizal Bin Mahmood	Independent	√	Member	5/5			Chairman	2/2	Member	1/1		
Dato' Ng Kweng Moh	Non-Independent	√	Member (retired on 31 Oct 2017)	3/3			Member (resigned on 31 Oct 2017)	1/1				
Mr. Yeow Teck Chai	Independent	√	Member	5/5	Member (resigned on 23 Oct 2017)	5/5	Member (appointed on 1 Nov 2017)	1/1	Chairman	1/1		
Ms. Lam Voon Kean	Independent	√	Member	5/5	Member	6/6					Chairwoman	2/2
Ms Ng Kok Khuan	Non-Independent	√	Member	5/5							Member	2/2
Mr. Ng Kok Chin	Non-Independent	√	Member	5/5								
Ms. Ong Huey Min	Independent	–	Member (appointed on 23 Oct 2017)	2/2	Member (appointed on 23 Oct 2017)	1/1						

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 2017 amounted to RM21,000 and RM153,500 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 2017 amounted to RM16,500.

4. Material Contracts

There were no material contracts entered into by the Company and/ or its subsidiaries involving directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2017 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 & 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.

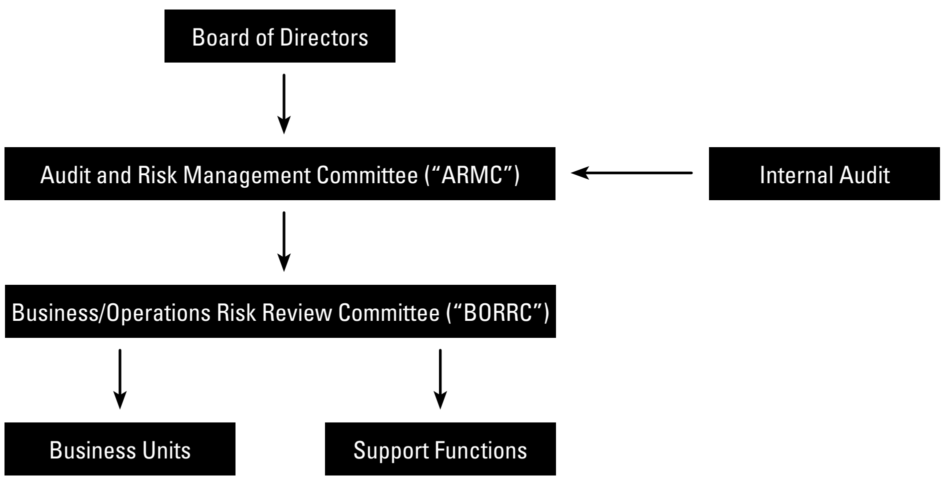
KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT

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 (cont'd)

KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT (cont'd)

Risk Management Framework (cont'd)
During the financial year under review, the Group under its Risk Management Report has identified eleven 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 financial year 2017 have been reviewed by the Board of Directors and ARMC 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 role 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 30 to the financial statements.

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.

People Risk
As part of the Group's value, people are our greatest asset as they are one of the key pillars of success for the Group. Hiring the right employee and loss of key talent remain a challenge in our Group. Failure to attract, develop and retain talented employees of the appropriate calibre will compromise our ability to execute our business strategies. Our Human Resource team is on a constant lookout for suitable employees whilst developing our people through technical and self-development programmes offering attractive performance based rewards and providing a safe and healthy work environment. Employee engagement is also critical for the Group as a failure to motivate and keep employees engaged will reduce overall morale, increase attrition and ultimately affect our business.

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. The Group will continue its focus on maintaining and further enhancing corporate governance standard to support the Group's business integrity and continuing strong performance.

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.

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

Statement On Risk Management And Internal Control (cont'd)

KEY COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT (cont'd)

Management Meetings (cont'd)
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 in 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 non-capital 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, business conduct, conduct in the workplace, protection of the Group's assets, conflict of interest and confidentiality.

Group Internal Audit
The Internal Audit Function, who reports to the ARMC, conducts reviews on the systems of risk management and internal control to ensure 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 the 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 26 March 2018.

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 each financial year which 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 2017, 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 2017

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 2017.

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	51,147	49,657

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 2016 as reported in the Directors' Report of that year :

- a final single tier ordinary dividend of 2.0 sen per share and a single tier special dividend of 3.0 sen per share, totalling RM14,225,417 declared on 11 April 2017 and paid on 4 July 2017.

(ii) In respect of the financial year ended 31 December 2017 as reported in the Directors' Report for the financial year ended 31 December 2016 :

- a first interim single tier ordinary dividend of 2.0 sen per share and a single tier special dividend of 3.0 sen per share, totalling RM14,115,327 declared on 24 February 2017 and paid on 29 March 2017.

(iii) In respect of the financial year ended 31 December 2017 :

- a second interim single tier ordinary dividend of 2.0 sen per share and a single tier special dividend of 4.0 sen per share, totalling RM17,113,718 declared on 23 October 2017 and paid on 21 November 2017; and

- a third interim single tier ordinary dividend of 2.0 sen per share and a single tier special dividend of 4.0 sen per share, totalling RM17,136,752 declared on 1 March 2018 and payable on 30 March 2018.

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	
Ng Kok Chin	
Ong Huey Min	- Appointed on 23.10.2017
Dato' Ng Kweng Moh	- Resigned on 31.10.2017

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 1.1.2017/^	**Exercise of options**	**Bought**	**(Sold)**	**At 31.12.2017**
Interests in the Company					
Ng Kweng Chong					
– own	2,594,071	397,000	–	–	2,991,071
– others *	1,224,320	24,000	–	–	1,248,320
Dato' Heng Huck Lee					
– own	479,400	294,000	–	–	773,400
– others *	–	9,000	–	–	9,000
Ng Kok Khuan					
– own	40,000	–	–	–	40,000
– others *	95,640	–	–	–	95,640
Yeow Teck Chai					
– own	7,920	–	55,000	–	62,920
– others *	33,144	–	50,000	–	83,144
Ng Kok Chin					
– own	224,014	–	–	–	224,014
– others *	1,009,320	–	–	–	1,009,320
Ong Huey Min					
– others *	70,000^	–	–	–	70,000
Deemed interests in the Company					
Ng Kweng Chong					
– own	31,016,446	–	936,000	(10,130,000)	21,822,446

Directors' interests in shares (cont'd)

	Number of options over ordinary shares			
	At 1.1.2017	Granted	(Exercised)	At 31.12.2017
ESOS 2014				
Ng Kweng Chong				
– own	467,000	91,000	(397,000)	161,000
– others *	24,000	22,000	(24,000)	22,000
Dato' Heng Huck Lee				
– own	294,000	88,000	(294,000)	88,000
– others *	192,000	51,000	(9,000)	234,000

^ At date of appointment
* 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.

None of the other Directors holding office at 31 December 2017 had any interests in the shares and options over shares of the Company and of its related corporations during the financial year.

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.

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") as disclosed in Note 29 to the financial statements.

Issue of shares and debentures

During the financial year, the Company issued :

i) 217,300 new ordinary shares of RM 0.50 each for cash arising from the exercise of employees share options at an exercise price of RM4.77 per ordinary share;

ii) 24,300 new ordinary shares of RM 0.50 each for cash arising from the exercise of employees share options at an exercise price of RM5.86 per ordinary share;

iii) 2,972,400 new ordinary shares of RM 0.50 each for cash arising from the exercise of employees share options at an exercise price of RM3.29 per ordinary share;

iv) 6,300 new ordinary shares of RM 0.50 each for cash arising from the exercise of employees share options at an exercise price of RM3.90 per ordinary share; and

v) 189,400 new ordinary shares of RM 0.50 each for cash arising from the exercise of employees share options at an exercise price of RM5.07 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 up to 10% of the issued and paid-up 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 or at par value of the shares of the Company, whichever is higher;

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 Articles of Association 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 of RM0.50 each and the option exercise price are as follows :

			Number of options over ordinary shares				
Date of offer	Expiry date	Exercise price RM	At 1.1.2017	Granted	(Exercised)	(Forfeited)	At 31.12.2017
14.08.2014	11.08.2019	4.77	483,000	–	(217,300)	(21,000)	244,700
13.05.2015	11.08.2019	5.86	672,000	–	(24,300)	(49,600)	598,100
26.10.2015	11.08.2019	6.18	3,300	–	–	–	3,300
24.05.2016	11.08.2019	3.29	3,593,000	–	(2,972,400)	(14,000)	606,600
20.10.2016	11.08.2019	3.90	17,400	–	(6,300)	(1,500)	9,600
19.04.2017	11.08.2019	5.07	–	1,260,300	(189,400)	(18,200)	1,052,700
25.10.2017	11.08.2019	6.32	–	72,200	–	(1,300)	70,900

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 is 24% as at 31 December 2017.

Indemnity and insurance costs

During the financial year, the total amount of indemnity given to/insurance effected for Directors and Officers of the Group is RM15,465.

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) there are no bad debts to be written off and no provision needs to be made for doubtful debts; and

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

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

i) that would render it necessary to write off any bad debts or provide for any doubtful debts; 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 2017 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 event

The details of such event are disclosed in Note 32 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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

Ng Kweng Chong
Director

Dato' Heng Huck Lee
Director

Penang,

Date : 26 March 2018

Statements Of Financial Position
as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	150,105	72,602	–	–
Investment property	4	7,107	7,364	–	–
Investments in subsidiaries	5	–	–	162,635	137,326
Investment in an associate	6	5,309	5,419	784	784
Other investments	7	8,514	8,655	5,084	5,350
Deferred tax assets	8	1,379	984	–	–
Total non-current assets		172,414	95,024	168,503	143,460
Inventories	9	13,464	8,995	–	–
Current tax assets		403	329	–	–
Trade and other receivables	10	94,510	40,424	85	113
Cash and cash equivalents	11	116,352	165,642	27,411	34,686
Total current assets		224,729	215,390	27,496	34,799
Total assets		397,143	310,414	195,999	178,259
Equity					
Share capital	12	178,904	140,947	178,904	140,947
Reserves	13	102,441	123,200	16,195	36,686
Total equity attributable to owners of the Company		281,345	264,147	195,099	177,633
Liabilities					
Deferred income	14	6,552	9,226	–	–
Loans and borrowings	15	24,402	–	–	–
Total non-current liabilities		30,954	9,226	–	–
Loans and borrowings	15	26,794	–	–	–
Current tax liabilities		427	1,258	5	6
Trade and other payables	16	57,623	35,783	895	620
Total current liabilities		84,844	37,041	900	626
Total liabilities		115,798	46,267	900	626
Total equity and liabilities		397,143	310,414	195,999	178,259

The notes on pages 53 to 104 are an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations					
Revenue	17	304,558	215,346	51,138	68,797
Cost of sales		(214,987)	(156,539)	–	–
Gross profit		89,571	58,807	51,138	68,797
Other income		11,146	11,517	16	5
Other expenses		(3,176)	(1,899)	–	–
Administrative expenses		(41,281)	(34,972)	(1,435)	(1,333)
Results from operating activities		56,260	33,453	49,719	67,469
Finance costs	18	(277)	(37)	–	–
Operating profit		55,983	33,416	49,719	67,469
Share of (loss)/profit of equity-accounted associate, net of tax	6	(110)	32	–	–
Profit before tax	19	55,873	33,448	49,719	67,469
Tax expense	22	(4,726)	(7,727)	(62)	(72)
Profit for the year		51,147	25,721	49,657	67,397

Statements Of Profit Or Loss And Other Comprehensive Income (cont'd)
for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other comprehensive income/(expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(2,184)	996	–	–
Fair value of available-for-sale financial assets		437	288	11	122
Other comprehensive income/(expense) for the year, net of tax	23	(1,747)	1,284	11	122
Total comprehensive income for the year		49,400	27,005	49,668	67,519
Profit attributable to :					
Owners of the Company		51,147	25,721	49,657	67,397
Total comprehensive income attributable to :					
Owners of the Company		49,400	27,005	49,668	67,519
Basic earnings per ordinary share (sen)	24	18.01	9.13	–	–
Diluted earnings per ordinary share (sen)	24	17.90	9.11	–	–

The notes on pages 53 to 104 are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity
for the year ended 31 December 2017

	Attributable to owners of the Company							
		Non-distributable					Distributable	
	Share capital RM'000	Share premium 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 2016	140,873	23,372	1,515	32	(69)	3,719	130,239	299,681
Foreign currency translation differences for foreign operations	–	–	–	–	–	996	–	996
Fair value of available-for-sale financial assets	–	–	–	–	288	–	–	288
Total other comprehensive income for the year	–	–	–	–	288	996	–	1,284
Profit for the year	–	–	–	–	–	–	25,721	25,721
Total comprehensive income for the year	–	–	–	–	288	996	25,721	27,005
Contributions by and distributions to owners of the Company								
Issuance of new ordinary shares pursuant to ESOS 2014	74	656	–	–	–	–	–	730
Share-based payment transactions (Note 26)	–	–	1,560	–	–	–	–	1,560
Dividends to owners of the Company (Note 25)	–	–	–	–	–	–	(64,829)	(64,829)
Total transactions with owners of the Company	74	656	1,560	–	–	–	(64,829)	(62,539)
Transfer to share premium for share options exercised	–	135	(135)	–	–	–	–	–
At 31 December 2016	140,947	24,163	2,940	32	219	4,715	91,131	264,147
	Note 12	Note 13						

Consolidated Statement Of Changes In Equity (cont'd)
for the year ended 31 December 2017

	Attributable to owners of the Company							
		Non-distributable					Distributable	
	Share capital RM'000	Share premium 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 2017	140,947	24,163	2,940	32	219	4,715	91,131	264,147
Foreign currency translation differences for foreign operations	–	–	–	–	–	(2,184)	–	(2,184)
Fair value of available-for-sale financial assets	–	–	–	–	437	–	–	437
Total other comprehensive income/(expense) for the year	–	–	–	–	437	(2,184)	–	(1,747)
Profit for the year	–	–	–	–	–	–	51,147	51,147
Total comprehensive income/(expense) for the year	–	–	–	–	437	(2,184)	51,147	49,400
Contributions by and distributions to owners of the Company								
Issuance of new ordinary shares pursuant to ESOS 2014	11,907	36	–	–	–	–	–	11,943
Share-based payment transactions (Note 26)	–	–	1,309	–	–	–	–	1,309
Dividends to owners of the Company (Note 25)	–	–	–	–	–	–	(45,454)	(45,454)
Total transactions with owners of the Company	11,907	36	1,309	–	–	–	(45,454)	(32,202)
Transition to no-par value regime on 31 January 2017	24,199	(24,199)	–	–	–	–	–	–
Transfer to share capital for share options exercised	1,851	–	(1,851)	–	–	–	–	–
At 31 December 2017	178,904	–	2,398	32	656	2,531	96,824	281,345
	Note 12	Note 13						

The notes on pages 53 to 104 are an integral part of these financial statements.

Statement Of Changes In Equity

for the year ended 31 December 2017

	Attributable to owners of the Company					
	Non-distributable				Distributable	
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016	140,873	23,372	1,515	38	6,855	172,653
Fair value of available-for-sale financial assets representing total other comprehensive income for the year	–	–	–	122	–	122
Profit for the year	–	–	–	–	67,397	67,397
Total comprehensive income for the year	–	–	–	122	67,397	67,519
Contributions by and distributions to owners of the Company						
Issuance of new ordinary shares pursuant to ESOS 2014	74	656	–	–	–	730
Share-based payment transactions (Note 26)	–	–	1,560	–	–	1,560
Dividends to owners of the Company (Note 25)	–	–	–	–	(64,829)	(64,829)
Total transactions with owners of the Company	74	656	1,560	–	(64,829)	(62,539)
Transfer to share capital for share options exercised	–	135	(135)	–	–	–
At 31 December 2016	140,947	24,163	2,940	160	9,423	177,633
	Note 12	Note 13				

Statement Of Changes In Equity (cont'd)

for the year ended 31 December 2017

	Attributable to owners of the Company					
		Non-distributable			Distributable	
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017	140,947	24,163	2,940	160	9,423	177,633
Fair value of available-for-sale financial assets representing total other comprehensive income for the year	–	–	–	11	–	11
Profit for the year	–	–	–	–	49,657	49,657
Total comprehensive income for the year	–	–	–	11	49,657	49,668
Contributions by and distributions to owners of the Company						
Issuance of new ordinary shares pursuant to ESOS 2014	11,907	36	–	–	–	11,943
Share-based payment transactions (Note 26)	–	–	1,309	–	–	1,309
Dividends to owners of the Company (Note 25)	–	–	–	–	(45,454)	(45,454)
Total transactions with owners of the Company	11,907	36	1,309	–	(45,454)	(32,202)
Transition to no-par value regime on 31 January 2017	24,199	(24,199)	–	–	–	–
Transfer to share premium for share options exercised	1,851	–	(1,851)	–	–	–
At 31 December 2017	178,904	–	2,398	171	13,626	195,099
	Note 12	Note 13				

The notes on pages 53 to 104 are an integral part of these financial statements.

Statements Of Cash Flows

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
Profit before tax from continuing operations		55,873	33,448	49,719	67,469
Adjustments for :					
Depreciation of :					
– property, plant and equipment	3	28,482	20,016	–	–
– investment property	4	257	257	–	–
Plant and equipment written off	19	3	–	–	–
Impairment loss on plant and equipment	3	94	–	–	–
Gain on disposal of :					
– plant and equipment	19	(1,155)	(193)	–	–
– other investments	19	–	(173)	–	–
Dividends from subsidiaries	19	–	–	(49,701)	(67,299)
Interest income	19	(3,438)	(3,845)	(1,437)	(1,498)
Amortisation of deferred income	14	(3,007)	(2,428)	–	–
Share of loss/(profit) of equity–accounted associate, net of tax		110	(32)	–	–
Share–based payments	26	1,309	1,560	–	–
Interest expense	18	277	37	–	–
Unrealised gain on foreign exchange for loans and borrowings		(1,874)	–	–	–
Operating profit/(loss) before changes in working capital		76,931	48,647	(1,419)	(1,328)
Change in inventories		(4,577)	9,320	–	–
Change in trade and other receivables		(54,116)	14,383	28	55
Change in trade and other payables		19,099	(8,808)	275	(5)
Cash generated from/(used in) operations		37,337	63,542	(1,116)	(1,278)
Interest received		–	–	1,437	1,498
Dividends received from subsidiaries		–	–	49,701	67,299
Tax paid		(6,026)	(5,230)	(63)	(70)
Net cash from operating activities		**31,311**	**58,312**	**49,959**	**67,449**

Statements Of Cash Flows (cont'd)

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	A	(103,847)	(8,379)	–	–
Acquisition of other investments		(116)	(4,261)	(116)	(4,299)
Proceeds from disposal of :					
– other investments		393	3,294	393	1,285
– plant and equipment		1,697	326	–	–
Interest received		3,438	3,845	–	–
Additional investment in a subsidiary		–	–	(24,000)	–
Net cash used in investing activities		(98,435)	(5,175)	(23,723)	(3,014)
Cash flows from financing activities					
Dividends paid to owners of the Company	25	(45,454)	(64,829)	(45,454)	(64,829)
Drawdown of term loans		15,251	–	–	–
Repayment of term loans		(12,513)	(11,007)	–	–
Drawdown of other borrowings, net	15.2	50,332	–	–	–
Proceeds from issue of ordinary shares		11,943	730	11,943	730
Interest paid		(277)	(37)	–	–
Grants received	14	333	9,178	–	–
Net cash generated from/(used in) financing activities		19,615	(65,965)	(33,511)	(64,099)
Net (decrease)/increase in cash and cash equivalents		(47,509)	(12,828)	(7,275)	336
Effect of exchange rate fluctuations on cash held		(1,781)	564	–	–
Cash and cash equivalents at 1 January		165,642	177,906	34,686	34,350
Cash and cash equivalents at 31 December	11	116,352	165,642	27,411	34,686

NOTE

A. *Acquisition of property, plant and equipment*

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM 106.62 million (2016 : RM8.93 million), of which RM 6.61 million (2016 : RM3.83 million) remained unpaid at the reporting date. The total of RM 103.84 million (2016 : RM8.38 million) was paid by cash.

The notes on pages 53 to 104 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 2017 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 26 March 2018.

1. Basis of preparation

(a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

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

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- *IC Interpretation 23, Uncertainty over Income Tax Treatments*
- *Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- *Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation*
- *Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle) #*
- *Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- *Amendments to MFRS 119, Employee Benefits (Plan Amendment, curtailment or settlement)*
- *Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- *Amendments to MFRS 128, Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

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

- *MFRS 17, Insurance Contracts***

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for those indicated with "*" which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for those indicated with "#" which is not applicable to the Group and the Company.

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

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

(i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets* from Customers and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to the customer, moving from the transfer of risks and rewards.

In the implementation of MFRS 15, the Group has established cross-functional team to manage the implementation of MFRS 15 which includes undertaking impact assessment, guidelines and training program to ensure readiness and smooth implementation of MFRS 15. The Group will apply MFRS 15 based on cumulative effect transition approach.

Based on the assessment, the Group does not expect the application of MFRS 15 to have a significant impact on its consolidated financial statements.

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

(ii) MFRS 9, Financial Instruments

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

In the implementation of MFRS 9, the Group has established cross-functional team to manage the implementation of MFRS 9 which includes undertaking impact assessment, guidelines and training program to ensure readiness and smooth implementation of MFRS 9.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018 and does not expects material financial impact on its consolidated financial statements.

(iii) MFRS 16, Leases

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

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM 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 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 2(d)(iii) – depreciation of plant and equipment
- Note 3 – property, plant and equipment
- Note 4 – valuation of investment property
- Note 8 – deferred tax assets

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) 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 an available-for-sale financial asset depending on the level of influence retained.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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.

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 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.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments 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 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) Initial recognition and 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 instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as 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.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

Financial liabilities

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

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities (cont'd)

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

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

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

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

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

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land is stated at cost. Other 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.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

2. Significant accounting policies (cont'd)

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

(iii) Depreciation (cont'd)

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 the 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) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, 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 does not assume substantially all the risks and rewards of ownership are classified as operating lease and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

Leasehold land which in substance is an operating lease is 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.

2. Significant accounting policies (cont'd)

(g) Investment properties

Investment properties are properties which are owned or held under a leasehold interest 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. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties initially and subsequently are measured at cost accounted for similarly to property, plant and equipment. Investment properties are measured at cost less any accumulated depreciation and any impairment losses. 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) 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 and pledged deposits.

(j) Impairment

(i) Financial assets

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

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

2. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(i) Financial assets (cont'd)

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

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For 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.

(k) 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.

2. Significant accounting policies (cont'd)

(k) Equity instruments (cont'd)

(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.

(l) 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 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.

(m) 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.

2. Significant accounting policies (cont'd)

(n) Revenue and other income

(i) Goods sold

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

(ii) Services

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) 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.

(iv) 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 periods in which the expenses are recognised.

(v) 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.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) 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.

2. Significant accounting policies (cont'd)

(p) Income tax

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

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

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

(q) Earnings per ordinary share

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

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

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

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Chief 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.

2. Significant accounting policies (cont'd)

(s) 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.

(t) 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 values are 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.

3. Property, plant and equipment - Group

	Land 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
Cost						
At 1 January 2016	13,212	53,140	230,456	32,015	21,080	349,903
Additions	–	196	5,392	3,344	–	8,932
Disposals	–	–	(13,584)	(219)	–	(13,803)
Write off	–	(91)	(1,801)	(1,279)	–	(3,171)
Reclassifications	–	–	21,014	10	(21,024)	–
At 31 December 2016/ 1 January 2017	13,212	53,245	241,477	33,871	56	341,861
Additions	–	624	98,402	1,747	5,851	106,624
Disposals	–	(52)	(17,164)	(1,176)	–	(18,392)
Write off	–	(675)	(385)	(491)	–	(1,551)
Reclassifications	–	–	509	–	(509)	–
At 31 December 2017	13,212	53,142	322,839	33,951	5,398	428,542

Notes To The Financial Statements (cont'd)

3. Property, plant and equipment - Group (cont'd)

	Land 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						
At 1 January 2016						
Accumulated depreciation	1,885	29,919	202,383	25,329	–	259,516
Accumulated impairment losses	–	270	5,557	741	–	6,568
	1,885	30,189	207,940	26,070	–	266,084
Depreciation for the year	138	2,057	15,108	2,713	–	20,016
Disposals	–	–	(13,452)	(218)	–	(13,670)
Write off	–	(91)	(1,801)	(1,279)	–	(3,171)
Reclassifications						
– depreciation	–	–	540	–	–	540
– impairment losses	–	–	(540)	–	–	(540)
At 31 December 2016						
Accumulated depreciation	2,023	31,885	203,272	26,556	–	263,736
Accumulated impairment losses	–	270	4,523	730	–	5,523
	2,023	32,155	207,795	27,286	–	269,259

3. Property, plant and equipment - Group (cont'd)

	Land 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 2017						
Accumulated depreciation	2,023	31,885	203,272	26,556	–	263,736
Accumulated impairment losses	–	270	4,523	730	–	5,523
	2,023	32,155	207,795	27,286	–	269,259
Depreciation for the year	138	1,182	24,993	2,169	–	28,482
Impairment loss during the year	–	–	94	–	–	94
Disposals	–	(52)	(16,623)	(1,175)	–	(17,850)
Write off	–	(674)	(383)	(491)	–	(1,548)
At 31 December 2017						
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
Carrying amounts						
At 1 January 2016	11,327	22,951	22,516	5,945	21,080	83,819
At 31 December 2016/1 January 2017	11,189	21,090	33,682	6,585	56	72,602
At 31 December 2017	11,051	20,531	106,963	6,162	5,398	150,105

4. Investment property - Group

	RM'000
Cost	
At 1 January 2016/31 December 2016/1 January 2017/31 December 2017	12,840
Accumulated depreciation	
At 1 January 2016	5,219
Depreciation for the year	257
At 31 December 2016/1 January 2017	5,476
Depreciation for the year	257
At 31 December 2017	5,733
Carrying amounts	
At 1 January 2016	7,621
At 31 December 2016/1 January 2017	7,364
At 31 December 2017	7,107

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 2017 is classified as level 3 fair value, estimated at approximately RM14.6 million (2016 : 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. Investment property - Group (cont'd)

4.2 The following are recognised in profit or loss in respect of investment property:

	2017 RM'000	2016 RM'000
Rental income	1,883	1,883
Direct operating expenses :		
– income generating investment property	456	464

5. Investments in subsidiaries - Company

	2017 RM'000	2016 RM'000
At cost		
Unquoted shares	154,767	130,767
Share-based payments allocated to subsidiaries	7,915	6,606
Less : Impairment loss	(47)	(47)
	162,635	137,326

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Effective ownership interest and voting interest 2017	2016	Principal activities
Globetronics Sdn. Bhd.	Malaysia	100%	100%	Assembly and testing of integrated circuits, optoelectronic products and technical plating services
ISO Technology Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of small outline components, Light-Emiting-Diodes ("LED") components and modules, and technical plating services for the semiconductor industry
Globetronics (KL) Sdn. Bhd.	Malaysia	100%	100%	Provision of test and assembly of chip carrier quartz crystal products
Globetronics Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Assembly of sensors and optical products for mobile and computer devices 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

5. Investments in subsidiaries - Company (cont'd)

Name of entity	Country of incorporation	Effective ownership interest and voting interest 2017	2016	Principal activities
Globetronics International Incorporated#	British Virgin Islands	100%	100%	

* Not audited by member firms of KPMG International.
\# 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.

6. Investment in an associate

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At cost				
Unquoted shares	784	784	784	784
Share of post-acquisition reserves	4,525	4,635	–	–
	5,309	5,419	784	784

Name of entity	Country of incorporation	Effective ownership interest and voting interest 2017	2016	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.

	2017 RM'000	2016 RM'000
Group		
Summarised financial information		
As at 31 December		
Non-current assets	952	1,071
Current assets	12,190	11,778
Non-current liabilities	(24)	(24)
Current liabilities	(2,283)	(1,765)
Net assets	10,835	11,060

6. Investment in an associate (cont'd)

	2017 RM'000	2016 RM'000
Group (cont'd)		
Year ended 31 December		
(Loss)/profit from continuing operations representing total comprehensive (expense)/income	(225)	66
Included in the total comprehensive (expense)/income is :		
Revenue	26,319	23,843
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	5,309	5,419
Group's share of results for the year ended 31 December		
Group's share of (loss)/profit from continuing operations representing Group's share of total comprehensive (expense)/income	(110)	32

7. Other investments

	Shares RM'000	Bonds/ Funds RM'000	Total RM'000
Non–current			
Group			
2017			
Available–for–sale financial assets	3,016	5,498	8,514
2016			
Available–for–sale financial assets	2,859	5,796	8,655

	Bonds/Funds	
	2017 RM'000	2016 RM'000
Company		
Available-for-sale financial assets	5,084	5,350

8. Deferred tax assets - Group

Recognised deferred tax assets

Deferred tax assets are attributable to the following :

	2017 RM'000	2016 RM'000
Property, plant and equipment		
– capital allowances	1,027	652
Investment tax allowances carry–forward	20	–
Other items	332	332
	1,379	984

Movements in temporary differences during the year

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2017 RM'000
Property, plant and equipment					
– capital allowances	2,911	(2,259)	652	375	1,027
Investment tax allowances carry–forward	339	(339)	–	20	20
Other items	–	332	332	–	332
	3,250	(2,266)	984	395	1,379

Unrecognised deferred tax assets

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

	2017 RM'000	2016 RM'000
Property, plant and equipment		
– capital allowances	14,975	15,844
Tax losses carry–forward	1,013	789
Capital allowances carry–forward	–	4,572
Investment tax allowances carry–forward	1,751	5,661
Other deductible temporary differences	6,190	7,439
	23,929	34,305

The tax losses carry-forward, investment tax allowances carry-forward and other deductible temporary differences 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-forward, tax losses carry-forward, investment tax allowances carry-forward and other deductible temporary differences available to the Group.

9. Inventories - Group

	2017 RM'000	2016 RM'000
Raw materials	6,921	3,746
Work-in-progress	1,974	2,158
Manufactured inventories	545	421
Consumables	3,186	2,126
Trading inventories	838	544
	13,464	8,995

Recognised in profit or loss (included in cost of sales) :

	2017 RM'000	2016 RM'000
Inventories written down	604	582
Reversal of inventories written down	(23)	(47)

10. Trade and other receivables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade					
Trade receivables		82,060	39,555	–	–
Non–trade					
Amount due from a subsidiary	10.1	–	–	3	2
Amount due from an associate	10.1	27	27	–	–
Other receivables	10.2	9,709	358	66	95
Deposits		248	227	4	4
Prepayments	10.3	2,466	257	12	12
		12,450	869	85	113
		94,510	40,424	85	113

10.1 Amounts due from a subsidiary and an associate

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

10.2 Other receivables

Included in other receivables of the Group is an amount of RM7.68 million (2016 : RM Nil) representing renovation cost paid on behalf of a tenant.

10. Trade and other receivables (cont'd)

10.3 Prepayments

Included in prepayments of the Group is an amount of RM1.46 million (2016 : RM0.1 million) representing advance payments to suppliers for the purchase of plant and machinery.

11. Cash and cash equivalents

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Funds placed with financial institutions :					
– Short–term investment funds	11.1	58,962	100,867	18,773	31,319
– Short–term deposits		24,745	22,224	7,632	3,003
Cash and bank balances		32,645	42,551	1,006	364
		116,352	165,642	27,411	34,686
Market value					
– Short–term investment funds	11.1	59,133	101,168	18,859	31,398

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash and cash equivalents	102,762	156,120	26,831	34,421
Interest rates per annum	0.5% – 3.63%	0.05% – 4.43%	2.53% – 3.63%	2.76% – 4.19%

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 RM46.45 million (2016 : RM82.12 million) and RM16.91 million (2016 : RM25.67 million) respectively representing short-term funds placed in Sukuk and Short Term Islamic Money Market Instruments.

12. Share capital - Group and Company

	2017		2016	
	Number of shares	Amount	Number of shares	Amount
	'000	RM'000	'000	RM'000
Ordinary shares of RM0.50 each	N/A	N/A	1,000,000	500,000
	Note 12.2	Note 12.2		
Issued and fully paid				
Balance at 1 January	281,894	140,947	281,746	140,873
Issued for cash under ESOS				
- Exercise of ESOS 2014	3,410	13,758	148	74
Transition to no-par value regime on 31 January 2017 (Note 12.3)	–	24,199	–	–
Balance at 31 December	285,304	178,904	281,894	140,947
	Note 12.2	Note 12.3		

12.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regards to the Company's residual assets.

12.2 Authorised share capital

The concept of authorised share capital and par value of share capital have been abolished on the commencement of Companies Act 2016 on 31 January 2017.

12.3 Share premium

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Under the transitional provision in Section 618(3) of the Companies Act 2016, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for the purpose as set out in that section.

Included in share capital is share premium amounting to RM24,199,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

13. Reserves

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non–distributable					
Share premium	13.1	–	24,163	–	24,163
Translation reserve	13.2	2,531	4,715	–	–
Share option reserve	13.3	2,398	2,940	2,398	2,940
Capital reserve		32	32	–	–
Fair value reserve	13.4	656	219	171	160
		5,617	32,069	2,569	27,263
Distributable					
Retained earnings		96,824	91,131	13,626	9,423
		102,441	123,200	16,195	36,686

13.1 Share premium

Share premium comprises premium paid on subscription of shares in the Company over and above the par value of the shares. During the financial year ended 31 December 2017, the amount outstanding in the share premium account became part of the Company's share capital in accordance with the Companies Act 2016.

13.2 Translation reserve

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

13.3 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium/share capital (upon commencement of Companies Act 2016 on 31 January 2017). When the share options expire, the amount from the share option reserve is transferred to retained earnings. The details of share options are disclosed in Note 26.

13.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

14. Deferred income - Group

	2017 RM'000	2016 RM'000
Non-current		
Government grants		
At 1 January	9,226	2,476
Additions during the year	333	9,178
Amortisation during the year (Note 19)	(3,007)	(2,428)
At 31 December	6,552	9,226

The Group received government grants from 2008 to 2017 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 - Group

	2017 RM'000	2016 RM'000
Non-current		
Revolving credits – unsecured	24,402	–
Current		
Term loans – unsecured	2,738	–
Revolving credits – unsecured	24,056	–
	26,794	–
	51,196	–

15.1 Securities

The term loans are backed by a corporate guarantee of a subsidiary of the Group whilst revolving credits are backed by a corporate guarantee of the Company.

15.2 Reconciliation of movement of liabilities of cash flows arising from financing activities

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31.12.2017 RM'000
Term loans	–	2,738	–	2,738
Other borrowings – revolving credits	–	50,332	(1,874)	48,458
	–	53,070	(1,874)	51,196

16. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade				
Trade payables	17,295	6,939	–	–
Non–trade				
Other payables	25,343	15,565	198	1
Accrued expenses	14,985	13,279	697	619
	40,328	28,844	895	620
	57,623	35,783	895	620

17. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	302,932	213,601	–	–
Dividends	132	189	49,701	67,299
Interest income	1,494	1,556	1,437	1,498
	304,558	215,346	51,138	68,797

18. Finance costs - Group

	2017 RM'000	2016 RM'000
Interest expense on :		
Term loans	25	37
Revolving credits	252	–
	277	37

19. Profit before tax

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit before tax is arrived at after charging :				
Auditors' remuneration :				
- Audit fees				
- KPMG PLT in Malaysia				
- current year	154	141	21	17
- prior year	13	–	4	–
- Other auditors	9	9	–	–
- Non-audit fees				
- KPMG PLT in Malaysia	13	13	13	13
- Local affiliate of KPMG PLT in Malaysia	4	4	4	4
Directors' emoluments				
- Directors of the Company				
- Fees				
- Current Directors	1,049	986	629	558
- Past Director	91	–	3	–
- Others	8,105	7,125	–	–
- Other Directors				
- Fees	105	95	–	–
- Others	950	873	–	–
Inventories written down (Note 9)	604	582	–	–
Rental expenses	725	756	–	–
Share-based payments (Note 26)	1,309	1,560	–	–
Realised loss on foreign exchange	2,876	1,881	–	–
Plant and equipment written off	3	–	–	–
and after crediting :				
Gain on disposal of :				
- Plant and equipment	1,155	193	–	–
- Other investments	–	173	–	–
Gross dividends from :				
- Subsidiaries (Note 17)	–	–	49,701	67,299
- Other investments (Note 17)	132	189	–	–
Interest income	3,438	3,845	1,437	1,498
Rental income	2,312	2,070	–	–
Amortisation of deferred income (Note 14)	3,007	2,428	–	–
Unrealised gain on foreign exchange	1,375	1,952	–	–
Reversal of inventories written down (Note 9)	23	47	–	–

20. Employee information - Group

	2017 RM'000	2016 RM'000
Staff costs (including Executive Directors)	63,095	55,708

i) The estimated monetary value of Directors' benefits-in-kind is RM28,825 (2016 : RM28,825).

ii) Staff costs include contributions to the Employees' Provident Fund of RM2.94 million (2016 : RM2.80 million).

iii) Staff costs include share-based payments of RM1.31 million (2016 : RM1.56 million).

21. Key management personnel compensation

The key management personnel compensation are as follows :

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors				
– Fees	1,245	1,081	632	558
– Remuneration	7,515	6,504	–	–
– Other short–term employee benefits (including estimated monetary value of benefits–in–kind)	1,318	1,144	–	–
Total short–term employee benefits	10,078	8,729	632	558
– Share–based payments	251	379	–	–
	10,329	9,108	632	558

22. Tax expense

Recognised in profit or loss

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax expense on continuing operations	4,726	7,727	62	72
Share of tax of equity–accounted associate	–	10	–	–
Total income tax expense	4,726	7,737	62	72

22. Tax expense (cont'd)

Recognised in profit or loss (cont'd)

Major components of income tax expense include :

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
– Current year	5,501	7,174	60	60
– Prior years	(380)	(1,713)	2	12
Total current tax recognised in profit or loss	5,121	5,461	62	72
Deferred tax expense				
Origination and reversal of temporary differences	(679)	2,266	–	–
Under provision in prior year	284	–	–	–
	(395)	2,266	–	–
	4,726	7,727	62	72
Share of tax of equity– accounted associate	–	10	–	–
Total income tax expense	4,726	7,737	62	72

Reconciliation of tax expense

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the year	51,147	25,721	49,657	67,397
Total income tax expense	4,726	7,737	62	72
Profit excluding tax	55,873	33,458	49,719	67,469

22. Tax expense (cont'd)

Reconciliation of tax expense (cont'd)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax calculated using Malaysian tax rate of 24%	13,410	8,030	11,932	16,192
Non–deductible expenses	2,036	1,871	343	320
Non–taxable income	(1,089)	(1,457)	(2)	(2)
Tax exempt income	(2,330)	(739)	(12,210)	(16,450)
Tax incentives	(4,554)	–	–	–
Effect of utilisation of deferred tax assets previously not recognised	(2,490)	–	–	–
Deferred tax assets not recognised	–	1,623	–	–
Effect of tax rate in different jurisdiction	(22)	(30)	–	–
Other items	(139)	152	(3)	–
	4,822	9,450	60	60
(Over)/Under provision in prior years	(96)	(1,713)	2	12
Tax expense	4,726	7,737	62	72

23. Other comprehensive (expense)/income

	2017 Before tax RM'000	2017 Tax expense RM'000	2017 Net of tax RM'000	2016 Before tax RM'000	2016 Tax expense RM'000	2016 Net of tax RM'000
Items that are or may be reclassified subsequently to profit or loss						
Group						
Foreign currency translation differences for foreign operations						
– (Losses)/Gains arising during the year	(2,184)	–	(2,184)	996	–	996
Fair value of available–for–sale financial assets						
– Gains arising during the year	482	–	482	219	–	219
– Reclassification adjustments for (losses)/gains on disposal included in profit or loss	(45)	–	(45)	69	–	69
	437	–	437	288	–	288
	(1,747)	–	(1,747)	1,284	–	1,284
Company						
Fair value of available–for–sale financial assets						
– Gains arising during the year	56	–	56	145	–	145
– Reclassification adjustments for losses on disposal included in profit or loss	(45)	–	(45)	(23)	–	(23)
	11	–	11	122	–	122

24. 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 :

	2017 RM'000	2016 RM'000
Profit attributable to ordinary shareholders	51,147	25,721

	2017 '000	2016 '000
Issued ordinary shares at beginning of year	281,894	281,746
Effect of shares issued during the year	2,072	122
Weighted average number of ordinary shares	283,966	281,868

	2017 sen	2016 sen
Basic earnings per ordinary share	18.01	9.13

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2017 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 :

	2017 RM'000	2016 RM'000
Profit attributable to ordinary shareholders	51,147	25,721

	2017 '000	2016 '000
Weighted average number of ordinary shares at 31 December (basic)	283,966	281,868
Effect of ESOS	1,801	608
Weighted average number of ordinary shares at 31 December (diluted)	285,767	282,476

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.

	2017 sen	2016 sen
Diluted earnings per ordinary share	17.90	9.11

25. Dividends - Group and Company

Dividends recognised by the Company :

	Sen per share	Total amount RM'000	Date of payment
2017			
Final 2016 ordinary and special	5.0	14,225	4 July 2017
First interim 2017 ordinary and special	5.0	14,115	29 March 2017
Second interim 2017 ordinary and special	6.0	17,114	21 November 2017
		45,454	
2016			
Final 2015 ordinary and special	5.0	14,094	4 July 2016
First interim 2016 ordinary and special	9.0	25,365	29 March 2016
Second interim 2016 ordinary and special	9.0	25,370	3 November 2016
		64,829	

A third interim single tier ordinary dividend of 2.0 sen per share and a single tier special dividend of 4.0 sen per share, totalling RM17,136,752 was declared on 1 March 2018 and payable on 30 March 2018.

26. 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. 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

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.

26. Employee benefits - Group and Company (cont'd)

Share-based payments arrangement (cont'd)

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

	2017		2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	RM	'000	RM	'000
ESOS 2014				
Outstanding at 1 January	3.81	4,768	5.42	1,433
Granted during the year	5.14	1,333	3.29	3,818
Exercised during the year	3.50	(3,410)	4.92	(148)
Forfeited during the year	5.14	(105)	4.38	(335)
Outstanding at 31 December	4.84	2,586	3.81	4,768
Exercisable at 31 December	4.84	2,586	3.81	4,768

The options outstanding at 31 December 2017 have an exercise price in the range of RM3.29 to RM6.32 (31 December 2016 : RM3.29 to RM6.18) and a weighted contractual life of 1.6 years (2016 : 2.6 years).

During the financial year, 3,409,700 (2016 : 148,600) share options were exercised. The weighted average share price for ESOS 2014 at the dates of exercise for the year was RM3.50 (2016 : RM4.92).

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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Fair value of share options and assumptions				
Fair value at grant date	1.06	0.48	1.06 & 1.07	0.48 & 0.54
Weighted average share price	5.07	3.29	5.14	3.29
Share price at grant date	5.07	3.29	5.07 & 6.32	3.29 & 3.90
Expected volatility (weighted average volatility)	38.79%	29.31%	38.79% & 32.43%	29.31%
Option life (expected weighted average life)	1.6 years	2.6 years	1.6 years	2.6 years
Expected dividends	3.75%	6.11%	3.75% & 2.56%	6.11% & 5.94%
Risk-free interest rate (based on Malaysian government bonds)	3.3%	3.54%	3.3%	3.54% & 3.10%

26. Employee benefits - Group and Company (cont'd)

Value of employee services received for issue of share options

	2017 RM'000	2016 RM'000
Share options forfeited	(104)	(257)
Share options granted	1,413	1,817
Total expense recognised as share–based payments	1,309	1,560

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.

27. Capital commitments - Group

	2017 RM'000	2016 RM'000
Property, plant and equipment		
Contracted but not provided for	492	1,293

28. 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
2017					
Revenue from external customers	154,934	130,935	18,467	222	304,558
Non-current assets	162,296	–	–	3,430	165,726

28. Operating segments - Group (cont'd)

Geographical segments (cont'd)

	Malaysia RM'000	Singapore RM'000	United States RM'000	Others RM'000	Consolidated RM'000
2016					
Revenue from external customers	141,287	54,444	19,368	247	215,346
Non–current assets	85,316	–	–	3,305	88,621

Major customers

Two (2016 : Two) major customers of the Group, with revenue equal or more than 10% of the Group's total revenue, contribute approximately 71% (2016 : 66%) or RM217,197,000 (2016 : RM142,676,000) of the Group's total revenue.

29. 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 personnel include all the Directors of the Group.

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. (Company No : 51580–M)
- Wiserite Sdn. Bhd. (Company No : 410593–W)
- Glencare Sdn. Bhd. (Company No : 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	
	2017 RM'000	2016 RM'000
i) Transactions with an associate		
NGK Globetronics Technology Sdn. Bhd.		
Rental of investment property	1,883	1,883
Provision of management support services	192	192

29. Related parties (cont'd)

Significant related party transactions (cont'd)

	Company 2017 RM'000	Company 2016 RM'000
ii) Transactions with subsidiaries		
Globetronics Sdn. Bhd.		
Allocation of share–based payments	688	840
Dividend income	23,701	23,299
Provision of management support services	517	491
ISO Technology Sdn. Bhd.		
Allocation of share–based payments	328	488
Dividend income	15,000	15,000
Globetronics (KL) Sdn. Bhd.		
Allocation of share–based payments	141	133
Dividend income	11,000	14,000
Globetronics Manufacturing Sdn. Bhd.		
Allocation of share–based payments	151	99
Dividend income	–	15,000

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 21 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.

30. Financial instruments

30.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
2017			
Group			
Other investments	8,514	–	8,514
Trade and other receivables (exclude prepayments and deposits)	91,796	91,796	–
Cash and cash equivalents	116,352	116,352	–
	216,662	208,148	8,514
Company			
Other investments	5,084	–	5,084
Trade and other receivables (exclude prepayments and deposits)	69	69	–
Cash and cash equivalents	27,411	27,411	–
	32,564	27,480	5,084
2016			
Group			
Other investments	8,655	–	8,655
Trade and other receivables (exclude prepayments and deposits)	39,940	39,940	–
Cash and cash equivalents	165,642	165,642	–
	214,237	205,582	8,655

30. Financial instruments (cont'd)

30.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
2016			
Company			
Other investments	5,350	–	5,350
Trade and other receivables (exclude prepayments and deposits)	97	97	–
Cash and cash equivalents	34,686	34,686	–
	40,133	34,783	5,350

	Carrying amount RM'000	FL RM'000
Financial liabilities		
2017		
Group		
Loans and borrowings	51,196	51,196
Trade and other payables	57,623	57,623
	108,819	108,819
Company		
Trade and other payables	895	895
2016		
Group		
Trade and other payables	35,783	35,783
Company		
Trade and other payables	620	620

30. Financial instruments (cont'd)

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Available–for–sale financial assets :				
– recognised in other comprehensive income	482	219	56	145
– reclassified from equity to profit or loss	(45)	69	(45)	(23)
	437	288	11	122
Loans and receivables	834	4,979	1,437	1,498
Financial liabilities measured at amortised cost	826	(1,100)	–	–
	2,097	4,167	1,448	1,620

30.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.4 Credit risk

Credit risk is the risk of a financial loss to the Group 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 its receivables from customers and investments in securities. The Company's exposure to credit risk arises principally from investments in securities and financial guarantees given to several banks for credit facilities granted to subsidiaries.

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.

30. Financial instruments (cont'd)

30.4 Credit risk (cont'd)

Receivables (cont'd)

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Domestic	30,664	30,427
Singapore	49,312	6,286
United States	2,068	2,820
Others	16	22
	82,060	39,555

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

	Gross	**Individual impairment**	**Collective impairment**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
2017				
Not past due	70,369	–	–	70,369
Past due 1–30 days	11,467	–	–	11,467
Past due 31–60 days	224	–	–	224
	82,060	–	–	82,060

30. Financial instruments (cont'd)

30.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2016				
Not past due	33,894	–	–	33,894
Past due 1–30 days	5,290	–	–	5,290
Past due 31–60 days	250	–	–	250
Past due more than 60 days	121	–	–	121
	39,555	–	–	39,555

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

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 on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM51.72 million (2016 : RM3.03 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

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

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral

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

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

30. Financial instruments (cont'd)

30.5 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 arose principally from its various payables 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 significantly different amounts.

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rates per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
Non–derivative financial liabilities						
Group						
2017						
Term loans	2,738	2.16 – 2.36	2,738	2,738	–	–
Revolving credits	48,458	1.83 – 1.98	49,464	24,764	20,614	4,086
Trade and other payables	57,623	–	57,623	57,623	–	–
	108,819		109,825	85,125	20,614	4,086
2016						
Trade and other payables	35,783	–	35,783	35,783	–	–
Company						
2017						
Trade and other payables	895	–	895	895	–	–
Financial guarantees	–	–	51,721	51,721	–	–
	895		52,616	52,616	–	–
2016						
Trade and other payables	620	–	620	620	–	–
Financial guarantees	–	–	3,030	3,030	–	–
	620		3,650	3,650	–	–

30. Financial instruments (cont'd)

30.6 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.

30.6.1 Currency risk

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

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.

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 was :

		Denominated in		
	USD	**EURO**	**YEN**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
2017				
Trade and other receivables	50,666	–	–	50,666
Cash and cash equivalents	13,632	18	56	13,706
Trade and other payables	(8,043)	(229)	(540)	(8,812)
Loans and borrowings	(48,458)	–	–	(48,458)
Net exposure	7,797	(211)	(484)	7,102
2016				
Trade and other receivables	11,931	–	–	11,931
Cash and cash equivalents	31,962	167	238	32,367
Trade and other payables	(5,185)	(565)	(567)	(6,317)
Net exposure	38,708	(398)	(329)	37,981

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% (2016 : 5%) strengthening of the RM against the following currencies at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown on the next page. 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 sales and purchases.

30. Financial instruments (cont'd)

30.6 Market risk (cont'd)

30.6.1 Currency risk (cont'd)

	Profit or loss 2017 RM'000	Profit or loss 2016 RM'000
Group		
USD	(296)	(1,471)
EURO	8	15
YEN	18	13

A 5% (2016 : 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

30.6.2 Interest risk rate

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

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 was :

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Fixed rate instruments				
Financial assets				
Bonds/Funds	5,498	5,796	5,084	5,350
Cash and cash equivalents	102,762	156,120	26,831	34,421
	108,260	161,916	31,915	39,771
Floating rate instruments				
Financial liabilities				
Loans and borrowings	51,196	–	–	–

30. Financial instruments (cont'd)

30.6 Market risk (cont'd)

30.6.2 Interest rate risk (cont'd)

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 RM195,000 (2016: RM Nil). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

30.6.3 Other price risk

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

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis. The management regularly updates the Audit and Risk Management Committee and Board of Directors on the investment portfolio of the Group.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's and the Company's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2016 : 10%) strengthening in FBMKLCI at the end of the reporting period would have increased equity by the amounts shown below for investments classified as available for sale.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Effect on equity	851	866	508	535

A 10% (2016 : 10%) weakening in FBMKLCI would have had equal but opposite effect on equity.

30.7 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.

It was not practicable to estimate the fair value of the Group's investments in unquoted bonds/funds due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

30. Financial instruments (cont'd)

30.7 Fair value information (cont'd)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets										
2017										
Group										
Quoted bonds/funds	–	5,084	–	5,084	–	–	–	–	5,084	5,084
Quoted shares	3,016	–	–	3,016	–	–	–	–	3,016	3,016
Loans and borrowings	–	–	–	–	–	–	51,196	51,196	51,196	51,196
	3,016	5,084	–	8,100	–	–	51,196	51,196	59,296	59,296
Company										
Quoted bonds/funds	–	5,084	–	5,084	–	–	–	–	5,084	5,084
2016										
Group										
Quoted bonds/funds	–	5,350	–	5,350	–	–	–	–	5,350	5,350
Quoted shares	2,859	–	–	2,859	–	–	–	–	2,859	2,859
	2,859	5,350	–	8,209	–	–	–	–	8,209	8,209
Company										
Quoted bonds/funds	–	5,350	–	5,350	–	–	–	–	5,350	5,350

30. Financial instruments (cont'd)

30.7 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 (2016 : No transfer in either directions).

31. 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.

32. Subsequent event

On 5 March 2018, the Company announced to undertake the following :

(a) proposed subdivision of every one (1) existing ordinary share of the Company into 2 ordinary shares ("subdivided shares") held on an entitlement date to be determined;

(b) proposed bonus issue of up to 96,651,980 bonus shares on the basis of one (1) bonus share for every six (6) subdivided shares held on the same entitlement date as proposed subdivision. The bonus issue will be effected by the capitalisation of share premium of the Company.

Statement by Directors

Pursuant To Section 251(2) Of The Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 44 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 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
Director

Dato' Heng Huck Lee
Director

Penang,

Date : 26 March 2018

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 44 to 104 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Ng Kok Choon** at Georgetown in the State of Penang on 26 March 2018.

Ng Kok Choon

Before me :

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

Independent Auditors' Report

To The Members of Globetronics Technology Bhd

(Company No. 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 2017 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 44 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, 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.

Revenue recognition	
Refer to Note 2(n)(i) (accounting policy) and Note 17	
The key audit matter	**How the matter was addressed in our audit**
As a result of the Group's products which are influenced by the global economy condition and its competitive pricing, the performance of the Group was heavily dependent on the sales demand of its customers. We have identified revenue recognition as a key audit matter because the Group is under the pressure in meeting external parties' expectation and there is a risk that revenue may be overstated.	Our procedures 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 2017.

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.

Independent Auditors' Report (cont'd)

To The Members of Globetronics Technology Bhd

(Company No. 410285 - W)
(Incorporated in Malaysia)

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.

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.

Independent Auditors' Report (cont'd)

To The Members of Globetronics Technology Bhd

(Company No. 410285 - W)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- 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.

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

Lim Su Ling
Approval Number : 03098/12/2019 J
Chartered Accountant

Date : 26 March 2018

Penang

Statistics On Shareholdings
as at 19 March 2018

Analysis by size if shareholdings

Total number of issued shares	:	285,612,540
Voting right	:	One vote per ordinary share

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Issued Shares	% of Issued Shares
1 - 99	175	3.18	6,521	0.00
100 - 1,000	1,500	27.26	1,054,229	0.37
1,001 - 10,000	2,778	50.49	11,176,629	3.91
10,001 - 100,000	791	14.38	24,051,175	8.42
100,001 - 14,280,626 (*)	256	4.65	211,219,796	73.96
14,280,627 and above (**)	2	0.04	38,104,190	13.34
Total	**5,502**	**100.00**	**285,612,540**	**100.00**

REMARK : * LESS THAN 5% OF ISSUED SHARES
** 5% AND ABOVE OF ISSUED SHARES

Statistics On Shareholdings (cont'd)
as at 19 March 2018

Top 30 Shareholders

NO.	NAME	NUMBER OF ISSUED SHARES	% OF ISSUED SHARES
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	17,623,782	6.17
2	GENERAL PRODUCE AGENCY SDN. BERHAD	14,955,139	5.24
3	NG KWENG CHONG HOLDINGS SDN BHD	10,152,524	3.56
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	7,000,000	2.45
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	6,717,600	2.35
6	WISERITE SDN. BHD.	6,605,534	2.31
7	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	5,782,000	2.02
8	GENERAL PRODUCE AGENCY SDN. BERHAD	5,525,269	1.93
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	5,509,500	1.93
10	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	5,254,600	1.84
11	WISERITE SDN. BHD.	4,848,334	1.70
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	4,511,200	1.58
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	4,408,300	1.54
14	VALUECAP SDN BHD	4,374,000	1.53
15	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	3,991,400	1.40
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	3,913,100	1.37
17	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	3,793,100	1.33

Statistics On Shareholdings (cont'd)
as at 19 March 2018

Top 30 Shareholders (cont'd)

NO.	NAME	NUMBER OF ISSUED SHARES	% OF ISSUED SHARES
18	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	3,758,500	1.32
19	HSBC NOMINEES (ASING) SDN BHD TNTC FOR BARING PACIFIC FUND	3,189,800	1.12
20	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG YONG YIN	3,101,000	1.09
21	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND	3,032,000	1.06
22	NG KWENG CHONG	2,991,071	1.05
23	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR DEUTSCHE BANK AG LONDON (PRIME BRKRG CLT)	2,922,700	1.02
24	HSBC NOMINEES (ASING) SDN BHD TNTC FOR BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION	2,862,800	1.00
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	2,761,400	0.97
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM EASTSPRING) (410140)	2,549,500	0.89
27	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG YONG KEAT	2,496,400	0.87
28	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	2,341,400	0.82
29	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	2,324,300	0.81
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA)	2,111,800	0.74
	TOTAL:	151,408,053	53.01

Statistics On Shareholdings (cont'd)
as at 19 March 2018

Substantial Shareholdings as at 19 March 2018

	No. of issued shares held			
Substantial Shareholders	**Direct Interest**	**%**	**Deemed Interest**	**%**
Ng Kweng Chong	2,991,071	1.05	22,014,446[(N1)]	7.71
Gooi Mei Hoon	1,218,800	0.43	22,014,446[(N1)]	7.71
Ng Kweng Chong Holdings Sendirian Berhad	10,152,524	3.55	11,861,922[(N2)]	4.15
General Produce Agency Sdn Berhad	20,480,408	7.17	11,861,922[(N2)]	4.15
Employees Provident Fund Board	30,209,482	10.58	–	–
Kumpulan Wang Persaraan (Diperbadankan) ("KWAP")	5,782,000	2.02	10,323,600[(N3)]	3.61

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.

(N3) Deemed interested by virtue of section 8 of the Companies Act 2016 held through KWAP (Fund manager).

Statistics On Shareholdings (cont'd)
as at 19 March 2018

Directors' Shareholdings as at 19 March 2018

	No. of issued shares held			
Directors	**Direct Interest**	**%**	**Deemed Interest**	**%**
Ng Kweng Chong	2,991,071	1.05	22,014,446[N1]	7.71
			1,248,320[N2]	0.44
Dato' Heng Huck Lee	773,400	0.27	38,000[N2]	0.01
Dato' Norhalim Bin Yunus	–	–	–	–
Dato' Syed Mohamad Bin Syed Murtaza	–	–	–	–
Dato' Iskandar Mizal Bin Mahmood	–	–	–	–
Ng Kok Khuan	40,000	0.01	95,640[N2]	0.03
Yeow Teck Chai	62,920	0.02	83,144[N2]	0.03
Lam Voon Kean	–	–	–	–
Ng Kok Chin	224,014	0.08	1,009,320[N2]	0.35
Ong Huey Min	–	–	70,000[N2]	0.02

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) Indirect interest held by family members

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting (AGM) of the Company will be held at Merbah Room, Lower Level, Hotel Equatorial Penang, No. 1 Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Tuesday, 08 May 2018 at 10.30 a.m. for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of Directors and Auditors thereon.	*Please refer to Note 7*
2. To re-elect Mr. Ng Kok Khuan, a director who retires by rotation in accordance with Article 80 of the Company's Constitution and who, being eligible, offers himself for re-election.	**Resolution 1**
3. To re-elect Dato' Syed Mohamad Bin Syed Murtaza, a director who retires by rotation in accordance with Article 80 of the Company's Constitution and who, being eligible, offers himself for re-election.	**Resolution 2**
4. To re-elect Madam Ong Huey Min, a director who retires in accordance with Article 87 of the Company's Constitution and who, being eligible, offers herself for re-election.	**Resolution 3**
5. To approve the increase and payment of directors' fees amounting to RM1,244,667.00 for the financial year ended 31 December 2017.	**Resolution 4**
6. To approve the payment of directors' benefits of up to an amount not exceeding RM40,000.00 to non-executive directors of the Company from 08 May 2018 until the conclusion of the next AGM of the Company.	**Resolution 5** *Please refer to Note 8*
7. To re-appoint Messrs. KPMG PLT as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the directors to fix their remuneration.	**Resolution 6**
8. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.	

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 21st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 25 April 2018. Only a depositor whose name appears on the Record of Depositors as at 25 April 2018 shall be entitled to attend the 21st AGM or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date: 09 April 2018

Notice Of Annual General Meeting (cont'd)

NOTES ON APPOINTMENT OF PROXY

(1) A proxy may but need not be a member of the Company.

(2) For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof.

(3) A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

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

(5) In the case of a corporate member, the proxy form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

(6) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by poll.

NOTES ON ORDINARY BUSINESS

(7) The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.

(8) The Resolution 5, if passed, will enable the Company to pay meeting allowance and other benefits to non-executive directors of the Company. The total amount of directors' benefits payable is estimated based on the number of scheduled meetings of the Board and Board Committees as well as the number of non-executive directors involved in these meetings.

ANNUAL REPORT 2017

(9) The Annual Report 2017 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within four (4) market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.globetronics.com.my.

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Ms. Loo Wen Chyi at telephone no. 04-6444906 ext. 121 or email your request to wenchyi_loo@globe.com.my.

Statement Accompanying Notice of Annual General Meeting

(Pursuant To Paragraph 8.27(2) Of Main Market Listing Requirements Of Bursa Securities)

1) No individuals are standing for election as directors at the forthcoming 21st Annual General Meeting of the Company.

2) The profiles of the directors who are standing for re-election as in Agenda 2, 3 and 4 of the Notice of the 21st Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.

3) The details of the directors' interests in the securities of the Company as at 19 March 2018 are set out in the Statistic of Shareholdings section of this Annual Report.

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 31.12.2017 (RM)	Date of Acquisition
Globetronics Sdn Bhd Plot 2, Phase 4, Free Industrial Zone, 11900 Bayan Lepas, Penang.	Leasehold Land	5.35		Leasehold 60 years		1,035,337	01.08.1990
	Factory Building		70,000	(14-05-2051)	25	4,106,850	
	Factory Building		110,000		23	7,107,029	
	Factory Building		40,000		22	2,729,057	
Globetronics Sdn Bhd Lot 5&7, Jln SS8/4, Kawasan MIEL, Phase II, Sg Way Baru, 47300 PJ, Selangor Darul Ehsan.	Freehold Land	2.14		Freehold		3,987,019	31.12.2006
	Factory Building		39,492		44	1,774,986	
Globetronics (KL) Sdn Bhd Lot 1, Jln SS8/4, Free Industrial Zone, Sungai Way, 47300 PJ, Selangor Darul Ehsan.	Leasehold Land	0.75		Leasehold 99 years (30-10-2100)		1,613,728	28.7.2009
	Leasehold Land	0.31		Leasehold 99 years (11-10-2105)		679,651	
	Freehold Land	0.41		Freehold		1,165,569	
	Freehold Land	0.31		Freehold		872,600	
	Factory Building		103,465		45	4,656,703	
ISO Technology Sdn Bhd 290,291&292, Phase 3, Free Industrial Zone, 11900 Bayan Lepas, Penang.	Leasehold Land	3.11		Leasehold 60 years		674,284	05.01.1999
	Factory Building		50,000	(06-03-2050)	27	3,775,635	
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	44	1,023,884	20.11.2002
	Factory Building		67,515	Lot 1959 (21.11.2033) H.S.(D)13853 (02.03.2040)	37	3,486,436	

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Proxy Form

GLOBETRONICS TECHNOLOGY BHD.(Company No. 410285-W)
(Incorporated in Malaysia)

* I /We…………………………...………………….(*I/C No./Passport No./Company No.………….…. …………………………..)
(Full Name in Block Letters)

of ……………………………………………………..……………………………………………………………………..…………….
(Address)

being a * member / members of the abovenamed Company, hereby appoint ……………...………………………...……………….
(Full Name in Block Letters)

(*I/C No./Passport No./Company No. ……..……………………….) of……………………………………………….……………
(Address)

……..………………...
(Address)

or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 21st Annual General Meeting of the Company to be held at Merbah Room, Lower Level, Hotel Equatorial Penang, No. 1 Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Tuesday, 08 May 2018 at 10.30 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Ng Kok Khuan as a director of the Company		
2	To re-elect Dato' Syed Mohamad bin Syed Murtaza as a director of the Company		
3	To re-elect Madam Ong Huey Min as a director of the Company		
4	To approve the increase and payment of directors' fees		
5	To approve the payment of directors' benefits to non-executive directors		
6	To re-appoint Messrs. KPMG PLT as auditors of the Company		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this ....day of ....,2018.

No. of shares held

For appointment of two(2) proxies, percentage of shareholdings to be represented by the proxies :

	No. of shares	%
Proxy 1		
Proxy 2		
		100

…………………………………………………………
Signature(s) of Member(s)

Notes:

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, this form must be duly completed and deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of Proxy Form will be on Monday, 07 May 2018 at 10.30 am (being the approximate time appointed for the taking of the poll at the 21st Annual General Meeting)
3. A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an exempt authorized nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.
5. In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. In respect of deposited securities, only a depositor whose name appear on the Record of Depositors on 25 April 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the notice of 21st Annual General Meeting will be put to vote by poll.

* Strike out whichever is not desired.

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STAMP
HERE

The Secretary
Globetronics Technology Bhd. (410285-W)
51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

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Globetronics Technology Bhd. (410285-W)
Plot 2, Phase 4, Free Industrial Zone
Bayan Lepas, 11900 Penang, Malaysia
T: 604-644 4906 | F: 604-644 6517

www.globetronics.com.my