

GENETEC TECHNOLOGY BERHAD (445537-W)



2014
ANNUAL REPORT

ANNUAL REPORT 2014

GENETEC TECHNOLOGY BERHAD (445537-W)
Incorporated in Malaysia under the Companies Act, 1965

Lot 7, Jalan P10/11, Seksyen 10
Kawasan Perusahaan Bangi
43650 Bandar Baru Bangi
Selangor Darul Ehsan, Malaysia
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www.genetec.net

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Form of Proxy

Corporate Information

BOARD OF DIRECTORS

HEW VOON FOO

Chairman & Independent Non-Executive Director

CHIN KEM WENG

Managing Director

TAN MOON TEIK

Executive Director

WONG WAI TZING

Independent Non-Executive Director

TEH KIM SENG

Independent Non-Executive Director

CHEN KHAI VOON

Non-Independent Non-Executive Director

ONG PHOE BE

Alternate Director to Chen Khai Voon

AUDIT COMMITTEE

HEW VOON FOO (*Chairman*)

WONG WAI TZING

TEH KIM SENG

CHEN KHAI VOON

COMPANY SECRETARY

LOW SOOK KUAN

(MAICSA 7047833)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTRAR

Tricor Investor Services Sdn Bhd

Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : +603 2264 3883
Fax : +603 2282 1886

AUDITORS

Messrs KPMG Chartered Accountants

Level 10, KPMG Tower
8, Persiaran Bandar Utama
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603 7721 3388
Fax : +603 7721 3399

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
OCBC Al-Amin Bank Berhad
CIMB Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (ACE Market)

Listed on 7 November 2005
Stock Name : GENETEC
Stock Code : 0104

WEBSITE

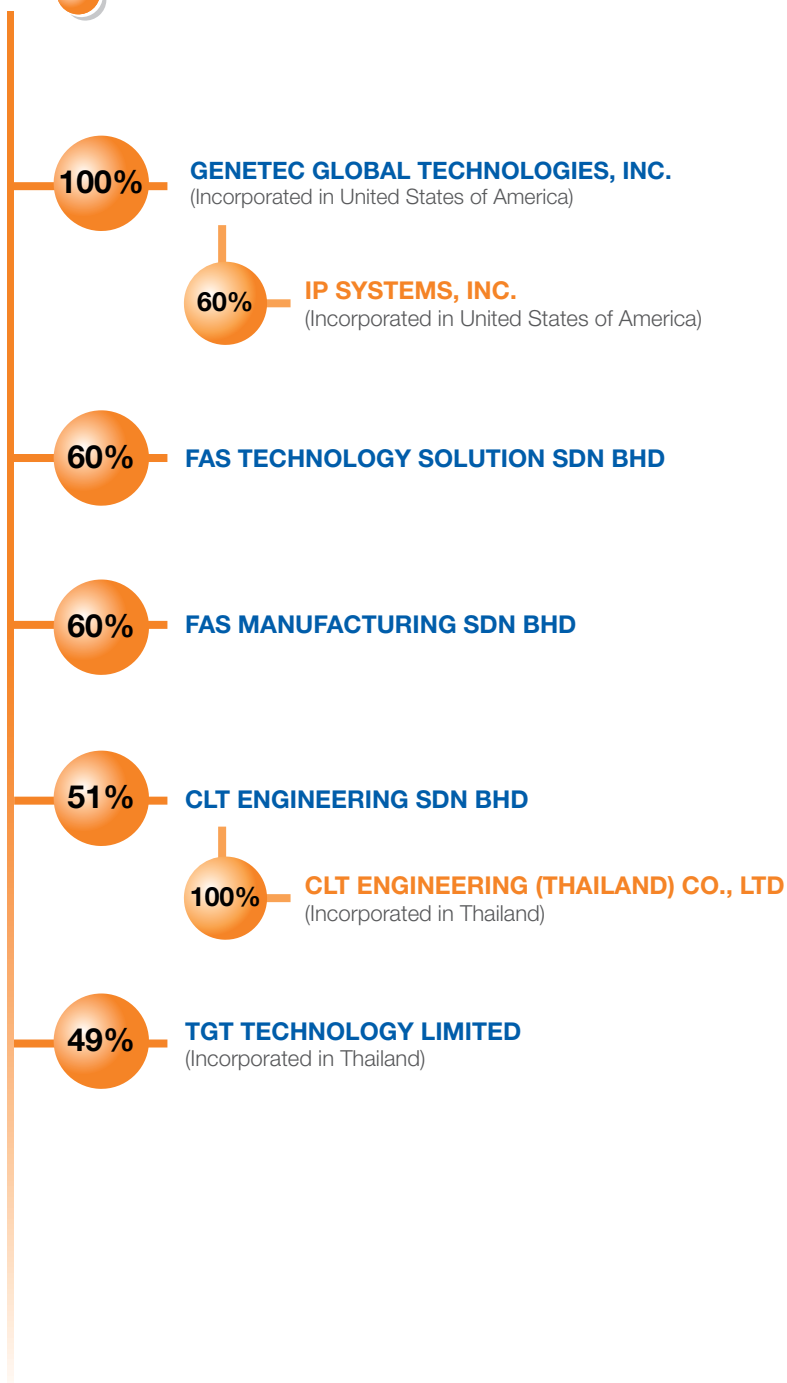
www.genetec.net

EMAIL

genetec@genetec.net

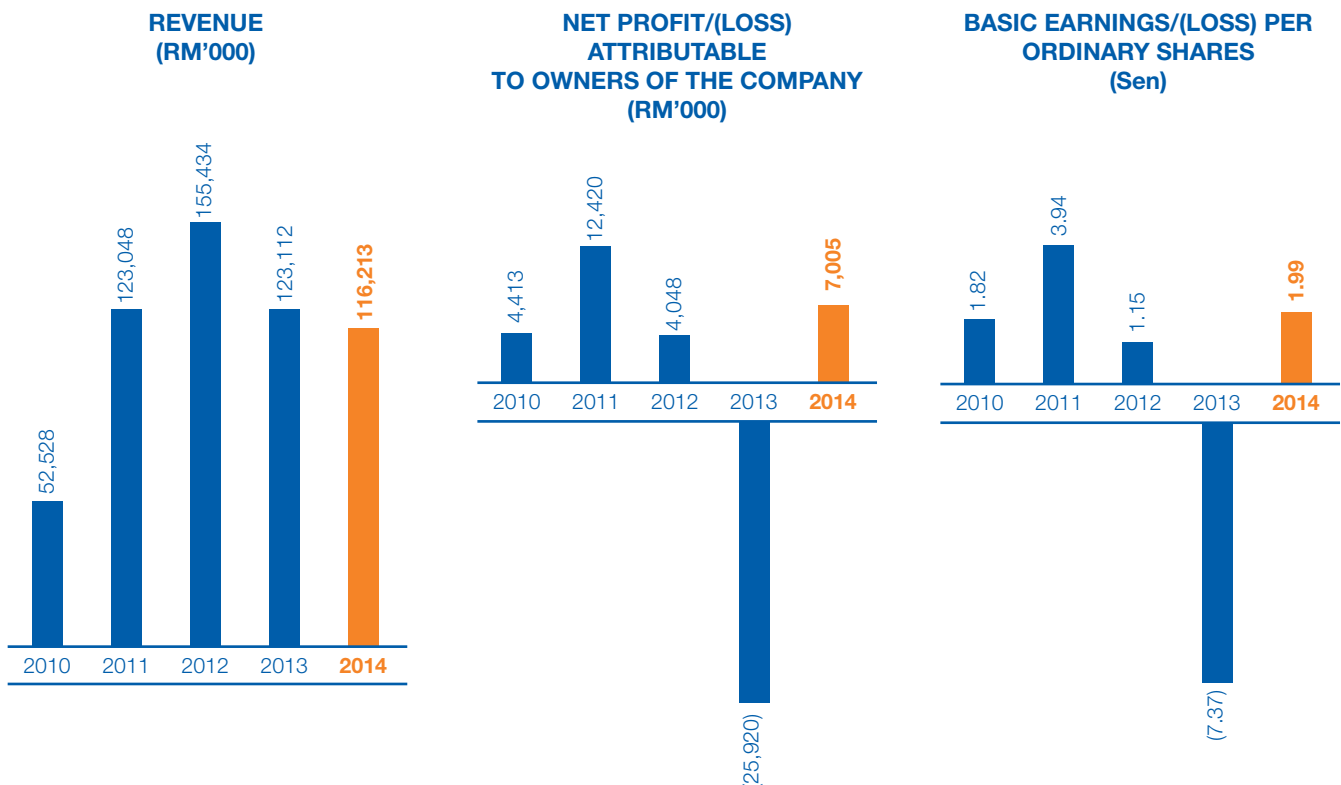
Corporate Structure

As at 30 June 2014



Five Years Group Financial Highlights

	2010	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000	RM'000
OPERATING RESULTS					
Revenue	52,528	123,048	155,434	123,112	116,213
EBITDA/(LBITDA)	6,675	19,003	12,681	(25,320)	4,688
(Loss)/Profit Before Tax	4,757	18,309	7,187	(32,382)	(830)
Profit/(Loss) After Tax	4,373	15,155	8,814	(32,093)	4,912
Net Profit/(Loss) Attributable to Owners of the Company	4,413	12,420	4,048	(25,920)	7,005
KEY BALANCE SHEET DATA					
Total Assets	53,881	126,909	169,781	135,529	112,762
Paid-up Capital	12,131	35,174	35,174	35,174	35,174
Capital and Reserves	32,612	81,541	82,996	48,005	52,582
PROFITABILITY RATIOS					
Return on Total Assets (%)	8	12	5	(24)	4
Return on Capital Employed (%)	13	19	11	(49)	10
GEARING RATIO					
Net Debt to Capital and Reserves (Times)	0.16	0.15	0.69	0.75	0.50
VALUATION					
Basic Earning/(Loss) Per Ordinary Share (Sen)	1.82	3.94	1.15	(7.37)	1.99



Board of Directors

HEW VOON FOO

Independent Non-Executive Director • Malaysian, Aged 53

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

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

CHIN KEM WENG

Managing Director • Malaysian, Aged 44

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

TAN MOON TEIK

Executive Director • Malaysian, Aged 43

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

Board of Directors

CHEN KHAI VOON

Non-Independent Non-Executive Director • Malaysian, Aged 54

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

Mr Chen was appointed to the Board of the Company on 3 November 1998. He holds a Diploma in Accounting. He is the founder of KVC Industrial Supplies Sdn Bhd Group, a leading industrial electrical distributor in Malaysia which he started in year 1989. Except for the Company, Mr Chen has no directorship in other public listed companies.

WONG WAI TZING

Independent Non-Executive Director • Malaysian, Aged 56

- *Member of Audit Committee*

Ms Wong was appointed to the Board of the Company on 26 January 2011. She holds a Bachelor of Laws degree from the University of London. She is an Associate Member of the Institute of Chartered Secretaries and Administrators. She started her legal career in 1991 after working as a qualified company secretary for many years and was made a partner in a leading legal firm in 1996. She has actively been involved in corporate and commercial work since 1991 covering mergers and acquisitions, take-overs, joint ventures and shareholders' agreements, technical assistance agreements, time-sharing scheme, securities, distributionship and franchise agreements. Except for the Company, Ms Wong has no directorship in other public listed companies.

TEH KIM SENG

Independent Non-Executive Director • Malaysian, Aged 47

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

Mr Teh was appointed to the Board of the Company on 26 January 2011. He holds a Bachelor of Laws from Leeds University, England and received the Master of Laws from Cambridge University, England in 1989. With over 23 years of experience in the legal, mergers and acquisition, corporate finance, venture capital and financial services arenas, Mr Teh founded and runs Netrove Ventures Corp, a regional boutique venture capital and corporate finance advisory group headquartered in Hong Kong and with offices in Bangkok, Guangzhou, Hanoi and Kuala Lumpur. Residing in Hong Kong, Mr Teh initially worked as an attorney in London and then in Hong Kong, specialising in Corporate Finance and Mergers & Acquisitions. He then served as the Chief Operating Officer of a regional investment bank headquartered in Hong Kong for a number of years before founding Netrove Ventures Corp in 1999. Mr Teh is currently Chairman of Netrove Ventures Corp and sits on the boards of various privately and publicly owned enterprises across Asia. Except for the Company, Mr Teh has no directorship in other public listed companies in Malaysia.

Board of Directors

ONG PHOE BE

Alternate Director to Chen Khai Voon • Malaysian, Aged 44

- *Member of Nomination Committee*

Ms Ong was appointed as Alternate Director to Chen Khai Voon on 26 January 2011. She started her career with Messrs KPMG, an audit firm from December 1989 to September 1994. In 1994, she completed the Malaysian Institute of Certified Public Accountants professional course and joined Arab-Malaysian Merchant Bank Berhad (now known as AmMerchant Bank Berhad) ("AMB") in the same year. She left AMB in 1996 and moved on to Tanco Holdings Berhad ("Tanco"). She was the head of Corporate Planning Department for Tanco for about four years. She then joined KVC Industrial Supplies Sdn Bhd Group in June 2000 as its Head of Corporate Finance and subsequently was appointed as the Group Chief Financial Officer of ATIS Corporation Berhad (now known as KVC Corporation Sdn Bhd), a position that she occupied till 2006. Prior to her present position, she was an Executive Director of the Company since 1 November 2007. Except for the Company, Ms Ong has no directorship in other public listed companies.

Notes :

(1) *None of the above directors has:*

- *any family relationship with any other directors and/or major shareholders of the Company.*
- *any conflict of interest with the Company.*
- *had conviction for any offence within the past ten (10) years, other than for traffic offences.*

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

Chairman's Statement and Review of Operations

“ On behalf of the Board of Directors of Genetec Technology Berhad, I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 31 March 2014. ”

The financial year ended 31 March 2014 has been a year of recovery as we managed and addressed the challenges resulting from the losses incurred in the United States of America (“USA”) operations and focusing all of our resources in growing our strong and profitable Malaysian operations. During the year, various action plans relating to closing down of operations in the USA had been implemented to mitigate the losses suffered. At the end of the financial year, our entire USA operations have come to a full closure and we divested two of our USA subsidiaries, namely Systems South, Inc. and Genetec Technology Automation, Inc., resulting in one-off gain on disposal of RM4.3 million.

For the financial year ended 31 March 2014, we are pleased to report that the Group ended the year with a profit after taxation of RM4.9 million as compared to post-tax loss of RM32.0 million for the preceding financial year. This is on the back of revenue of RM116.2 million as against RM123.1 million in the preceding year.

Chairman's Statement and Review of Operations

During the year under review, the revenue from Automotive Industry has increased significantly, contributing about 37% (2013: 9%) of the Group's revenue. We continue to execute well, new automotive projects awarded to us. These automotive assembly lines are commissioned in our multi-national customer's factory operations in the United Kingdom as well as China. Meanwhile, the Group's core industry segment, i.e. Hard Disk Drive ("HDD") industry contributed about 52% (2013: 82%) to the Group's revenue. The remaining 11% was generated from industries such as pharmaceutical and semiconductor.

During the financial year, there were no material capital outlays attributable to R&D activities. Genetec's approach to R&D has been towards investment in human capital. Continuous programs to upgrade the experience, expertise and exposure of the R&D and engineering team has always been one of our priorities to ensure we maintain our competitive edge as technological-driven company.

DIVIDEND

There was no dividend declared or paid for the financial year ended 31 March 2014 as we remained prudent in our efforts to preserve capital and enhance the liquidity position of the Group.

BUSINESS OUTLOOK

Genetec Group started the new financial year with a strong secured order book of RM47.4 million. This represents about 40.8% of last financial year's revenue of RM116.2 million.

We expect continuing strong demand for our automation products and expertise in both the HDD and Automotive industries. Analysts forecast that the global market for cars and other light vehicles will expand from 80 million units a year to well over 100 million by 2020 (Source: Global Automotive Report 2013). In 2020, China will be the major automotive market by some distance, responsible for nearly one-third of annual new vehicle sales worldwide (34.7 million). Thanks to fast-growing new car sales, China's total car parc size will more than triple by the end of this decade, almost reaching the US level of the early 2000s. (Source: Global Automotive Retail Market Outlook)

Given all these positive factors which bode well for the growth in Automotive market coupled with replication and yield process improvements projects from HDD segment, we are confident that Genetec will achieve improving performance for the coming financial year ending 31 March 2015.

A WORD OF APPRECIATION

On behalf of the Board of Directors, I would like to take the opportunity to convey my sincere gratitude to my fellow Board members for their invaluable advice, insight, counsel and participation in the affairs of the Group. As a team, we would also like to extend our thanks to all stakeholders, government authorities, bankers, customers, partners, suppliers and other business associates for their continuous support towards our business as we look forward to a stronger financial year ahead.

HEW VOON FOO

Chairman

Statement on Corporate Governance

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

The Board is pleased to present the report hereunder on the manner in which the Group has applied the Principles set out in the Malaysian Code of Corporate Governance 2012 ("**MCCG 2012**") with regards to the recommendations stated under each Principle.

1. BOARD OF DIRECTORS

1.1 Roles and Responsibilities

The Board has adopted a Board Charter which outlines the Board's roles and responsibilities. The Board Charter serves as a source of reference for Board members as well as a primary induction literature for new Board members in respect of their duties and responsibilities; and the various legislation and regulations governing their conduct with the application of principles and practices of good corporate governance.

The Board is guided by the Board Charter which clearly spells out the following principal roles and responsibilities of the Board in enhancing Board's effectiveness in the pursuit of corporate objectives:

- reviewing and adopting the strategic plans and direction of the Group;
- overseeing and evaluating the conduct of the Group's businesses;
- identifying principal risks and ensuring that appropriate internal control and mitigation measures are implemented to manage these risks;
- succession planning including the implementation of appropriate systems for recruitment, training, determining compensation benefits and replacement of senior management staff;
- developing and implementing an investor relations programme to enable effective communications with the shareholders and stakeholders; and
- reviewing the adequacy and integrity of the internal control systems and management information systems which include sound system of reporting and in ensuring regulatory compliance with applicable laws, regulations, rules, directives and guidelines.

Apart from the aforesaid principal roles and responsibilities of the Board, the Board also delegates certain responsibilities to its Board Committees with clearly defined terms of reference to assist the Board in discharging its responsibility. While the Board Committees have their own functions and delegated roles, duties and responsibilities, they will report to the Board with their decisions and/or recommendations. Hence, the ultimate responsibilities and decision on all matters lies with the Board.

The Board Charter would be reviewed and updated periodically as and when the need arises in accordance with any new regulations affecting the discharging of their responsibility. The Board Charter is available on the Company's website at www.genetec.net.

1.2 Composition of the Board

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

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

There is an Alternate Director on the Board.

Statement on Corporate Governance

1. BOARD OF DIRECTORS (continued)

1.2 Composition of the Board (continued)

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of control, power and authority. The Chairman leads and manages the Board while the Managing Director manages businesses and operations of the Company and implements the Board's decision and policies.

The Board structure ensures that no individual or group of individuals dominates the Board's decision making process. The Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the ACE Market ("**Listing Requirements**") that requires a minimum of one-third of the Board to be independent directors. The Board members are from various professions with a wide range of skills, knowledge, business and financial experience that are essential to direct and manage a dynamic and expanding Group. A brief write-up on each Director is set out under the Board of Directors of this Annual Report.

The Independent Directors are independent of the management and major shareholders. The Independent Directors have the necessary skill and experience to bring an independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place. They provide an unbiased and independent view, advice and judgement taking into account the interests of the Group, shareholders, employees, customers, business associates and other stakeholders. The Board would ensure that it undertakes an assessment of its independent directors annually.

The Board is satisfied with the current size and composition which constitute an effective Board with diverse mix of skills, experience and professional background.

1.3 Board Meetings

The Board scheduled to meet on a quarterly basis, with additional meetings convened as and when necessary.

The Board has a formal schedule of matters specifically reserved for decision making to ensure that the direction and control of the Group is firmly in its hand. Prior to each board meeting, the Directors are each provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the agenda to be deliberated upon to enable them to arrive at an informed decision. All matters discussed and resolutions passed at the board meetings are properly recorded in the minutes of meetings.

In the intervals between board meetings, any matters requiring urgent Board decisions and/or approvals will be via circular resolutions which are supported with all the relevant information and explanations required for an informed decisions to be made.

During the financial year ended 31 March 2014, six (6) meetings were held and the record of the Directors' attendance is as follows:

Name of Directors	Attendance	%
Ronnie J Ortscheid <i>(Resigned on 31 May 2013)</i>	0/2	0
Chin Kem Weng	6/6	100
Tan Moon Teik	5/6	83
Lam Choon Wah <i>(Retired on 14 August 2013)</i>	3/3	100
Chen Khai Voon	6/6	100
Hew Voon Foo	6/6	100
Wong Wai Tzing	6/6	100
Teh Kim Seng	6/6	100

Statement on Corporate Governance

1. BOARD OF DIRECTORS (continued)

1.4 Supply of Information

The members of the Board whether as a full Board or in their individual capacity have full access to relevant and timely information in the form and quality required pertaining to the Group's business affairs to assist in discharging of their duties and responsibilities.

All Directors have access to the advice and services of the company secretary and senior management staff in the Group to assist them in the furtherance of their duties and responsibilities. Where necessary, the Directors may obtain independent professional advice at the Group's expense on specialised issues to enable the Board to discharge their duties with adequate knowledge on the matters being deliberated.

1.5 Appointment to the Board

The Nomination Committee is responsible for assessing and recommending on any new appointments to the Board. In making these recommendations, due consideration is given to the required mix of skills, expertise, knowledge, experience, professionalism and integrity that the proposed Directors shall bring to complement the Board.

The Directors upon appointment, and from time to time during their tenure, shall notify the Chairman and company secretary of the Company before accepting any new directorships and the expected time to be spent on the new appointment.

1.6 Re-election of Directors

In accordance with the Company's Articles of Association, one-third of the Board is required to retire at every Annual General Meeting ("**AGM**") and be subject to re-election by shareholders. In addition, all Directors shall retire from office at least once in every three (3) years. A retiring Director is eligible for re-election. Newly appointed Directors shall hold office until the next AGM of the Company and shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

1.7 Directors' Remuneration

The Board has authorised the Nomination Committee to review annually the performance of the Directors and makes specific adjustments in remuneration and/or reward payments that reflect their respective contributions and responsibilities for the year.

The remuneration package comprises of a number of separate elements such as basic salary, allowances, fees, bonus and other non-cash benefits.

In the case of Executive Directors, the components parts of remuneration shall be structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration shall be linked to their experience and the level of responsibilities taken.

The determination of the remuneration for Directors is a matter of the Board as a whole after taking into account of pay and employment condition within the industry. The Director concerned does not participate in discussion and decision of his/her own remuneration.

Statement on Corporate Governance

1. BOARD OF DIRECTORS (continued)

1.7 Directors' Remuneration (continued)

The details of the remuneration of the Directors of the Company on Group basis in respect of the financial year ended 31 March 2014 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Salaries	747,625	-	747,625
Fees	-	132,000	132,000
Bonuses	50,000	-	50,000
Benefits-in-kind	91,700	-	91,700
Other Emoluments	31,000	-	31,000
Total	920,325	132,000	1,052,325

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

Range of Remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	1*	3
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	1^	-
RM350,001 - RM400,000	1	-
RM400,001 - RM450,000	1	-
Total	4	4

* Resigned on 31 May 2013

^ Retired on 14 August 2013

1.8 Directors' Training

All Directors have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities.

The Directors are continually encouraged to attend appropriate training programs to enhance their knowledge and skills and keep abreast of new developments in regulatory requirements and changing environment in which the business operates that will aid them in the discharge of their duties.

The Board has prescribed minimum trainings to be attended by each Director in each financial year which all the Directors have complied with. The Directors have attended the following training programs during the financial year:

- Integrated Governance, Risk & Compliance – Gaining a Competitive Advantage
- Enterprise Risk Management
- Power of Change

From time to time, the Board also receives updates, particularly on regulatory and legal developments relevant to the Company and Directors. The External Auditors also briefed the Board on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

Statement on Corporate Governance

1. BOARD OF DIRECTORS (continued)

1.9 Code of Ethics and Conduct

The Board has adopted two sets of Code of Conduct which reflects Genetec's values of integrity, respect, trust and openness for the Directors and employees respectively. It provides clear direction on conducting business, interacting with community, government, business partners and general workplace behaviour.

Besides, the Board continues to observe high standards of ethical conduct based on the Company's Code of Ethics established by the Companies Commission of Malaysia.

1.10 Sustainability

The Board has taken steps to ensure that the Group's strategies continue to promote sustainability, with attention given to environmental, social and governance aspects of the Group's business.

While maintaining growth, the Group is committed to creating an open, friendly and safe workplace. The Group also places utmost priority to its Health, Safety and Environment policy and objectives with the aim of ensuring health and safety of our people as well as protection of the environment that the Group operates in by maintaining an accident-free work environment, preventing pollutions, preventing wastages, recycling initiatives, optimising the use of natural resources and conserving energy.

1.11 Corporate Disclosure Policy

The Board is committed to timely and factual disclosure to the public regarding the business, operations and financial performance of the Company, consistent with legal and regulatory requirements, to enable orderly behaviour in the market.

The Board has established the Corporate Disclosure Policy aiming at effectively handling and disseminating the corporate information timely and accurately to its shareholders, stakeholders and the public in general as required by Bursa Securities. The Company is also guided by the Corporate Disclosure Guide issued by Bursa Securities.

1.12 Board Gender Diversity

The Company does not practise any gender biasness as both genders are given fair and equal treatment. Any new appointments to the Board shall be based on merit.

2. THE BOARD COMMITTEES

The Board has formally constituted various committees which operate within defined terms of reference to assist in discharging its duties and responsibilities.

2.1 Audit Committee

The details are set out in the Audit Committee Report of this Annual Report.

2.2 Nomination Committee ("NC")

The present members of the NC are:-

Hew Voon Foo (*Chairman*)
Teh Kim Seng
Ong Phoe Be

Statement on Corporate Governance

2. THE BOARD COMMITTEES (continued)

2.2 Nomination Committee (“NC”) (continued)

The NC is responsible for identifying and making recommendations of candidates for all directorships to the Board for consideration, who shall then collectively decide on the candidates to be appointed. During the selection process, specific consideration is given to the candidate’s skills, knowledge, experience, competencies, other directorships, time availability and the overall balance composition of the Board and for independent director, his ability to discharge such responsibilities or functions as expected from an independent director.

The NC also perform annual assessment and evaluation on Board and Board Committees, contributions and performance of each individual Director, and the independence of the Independent Director and it is satisfied that the size of the Board is optimum and there is appropriate mix of skills and experience and other qualities, including core competencies in the composition of the Board.

The NC shall meet at least once a year and as and when deemed fit, necessary and expedient.

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that the current Board composition has no necessity to appoint a Senior Independent Director as Mr Hew Voon Foo has served effectively as Chairman based on his caliber, qualification, experience and personal qualities, particularly his ability to act in the best interest of the Company, to discharge his duties as Chairman of NC with unbiased judgment.

2.3 Remuneration Committee (“RC”)

The present members of the RC are:-

Hew Voon Foo (*Chairman*)
Teh Kim Seng
Chen Khai Voon

The RC’s primary function is to set the policy framework and recommend to the Board on the remuneration packages of the Executive Directors in all its forms. Executive Directors shall play no part in decisions on their own remuneration. The determination of the remuneration package for Non-Executive Directors shall be a matter for the Board as a whole. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.

The RC has the authority to examine a particular issue and reports back to the Board its recommendations.

The RC shall meet twice a year and as and when deemed fit, necessary and expedient.

2.4 Risk Management Committee (“RMC”)

The present RMC is led by the Chief Operating Officer of the Company and comprises of Departmental Managers/Heads.

The RMC re-assessed all the existing risks and discussed the potential of any additional risks that might arise due to changes in the business environment. The RMC also monitored significant risks through review of risk related performance measures. These risks were assessed with due consideration given to existing control strategies. Where current controls are deemed ineffective, appropriate control improvements and action plans will be developed by the management. The results/responses of the discussion were analysed and consolidated to achieve a shared understanding of risks and impact.

Statement on Corporate Governance

2. THE BOARD COMMITTEES (continued)

2.4 Risk Management Committee (“RMC”) (continued)

The RMC ensures that a risk management structure is embedded and consistently adopted throughout the Group and is within the parameters established by Board and presume the following responsibilities:

- Establishing Strategic Context
- Establishing Risk Management Processes
- Establishing Risk Management Structure
- Embedding Risk Management Capability
- Establishing Reporting Mechanisms
- Integrating & Coordinating Assurance Activity
- Establishing Business Benefits
- Establishing Effectiveness of the Risk Management Process
- Managing the Group Wide Risk Management Program

The RMC shall meet twice a year and as and when deemed fit, necessary and expedient.

2.5 Employees' Share Option Scheme (“ESOS”) Committee

The administration of the Company's ESOS was assigned by the Board to the ESOS Committee. The ESOS Committee consists of Directors and Senior Management and all of them are in executive capacity:

No.	Name	Designation
1	Chin Kem Weng (Chairman)	Managing Director
2	Tan Moon Teik	Executive Director
3	Sow Ewe Lee	Chief Operating Officer (holding company)
4	Tan Kon Hoan	Financial Controller
5	Lam Choon Wah	Chief Operation Officer (subsidiary)

The ESOS Committee has the power to administer the Company's ESOS in accordance with the ESOS By-Laws as approved by the relevant authorities and for such purposes as the ESOS Committee deems fit.

3. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

3.1 Investor Relations

The Group recognises the importance of accountability to its investors and shareholders and thus, has maintained an active communication policy to ensure that all shareholders are kept informed of significant developments in accordance with the Listing Requirements. The Group communicates information on the business activities, major development and financial performance to the shareholders and stakeholders.

Annual reports, quarterly financial results, announcements to Bursa Securities, analyst reports, media releases and circular to shareholders are some of the modes of dissemination of information.

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

As part of the Board's responsibility in developing and implementing an investor relations programme, regular discussions are held between the Company and analyst/investors throughout the year. Presentations based on permissible disclosures are made to explain the Group's performance and major development programmes.

Statement on Corporate Governance

3. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION (continued)

3.2 Annual General Meeting

General meetings are important avenues for shareholders to exercise their ownership rights and to access and engage in dialogue with the Board and management. The Company's AGM remains as the principal forum for dialogue with shareholders who are encouraged to attend and participate in the proceedings. The Chairman of the meeting informed the shareholders of their rights to demand a poll vote at the commencement of the general meeting and provided sufficient time to address issues raised, if any. Executive Directors and Chairman are available to respond to shareholders' questions raised during the meeting. External Auditors are also present to provide their professional and independent advice on relevant issues raised.

The Board is of view that with the current level of shareholders' attendance at AGMs, voting by way of show of hands continues to be sufficient. The Board will evaluate and consider adopting electronic voting for substantive resolution at its general meetings in future and to ensure accurate and efficient outcomes of the voting process.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board is mindful of its responsibility to present a balanced and fair assessment of the Group's position and prospects through the annual financial statements and quarterly announcements of results to the Bursa Securities. The Audit Committee assists in reviewing the information disclosed to ensure accuracy and adequacy. The Directors are responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. A statement by the Directors on their responsibilities in preparing the financial statements is set out in Directors' Responsibility Statement of this Annual Report.

4.2 Risk Management and Internal Control

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

The internal audit function has been outsourced to independent professional consultants to carry out reviews on the Group's overall corporate governance and internal control processes.

The Statement on Risk Management and Internal Control is set out in this Annual Report.

4.3 Whistle Blowing Policy

The Group has in place a Whistle Blowing Policy designated to create a positive environment in which Directors, employees and stakeholders can report or disclose in good faith genuine concerns about unethical behavior, malpractice, illegal act or failure to comply with regulatory requirements without fear of recrimination and to enable prompt corrective actions and measures to be taken where appropriate, and necessary.

Statement on Corporate Governance

4. ACCOUNTABILITY AND AUDIT (continued)

4.4 Relationship with the External Auditors

The Company has always established and maintained a transparent, independent and formal relationship with the External Auditors in seeking professional advice and towards ensuring compliance in matters pertaining to approved accounting standards.

The External Auditors are invited to attend the Audit Committee Meeting where the Group's annual financial results are considered, as well as at meetings to review and discuss the Group's audit findings, internal control and accounting policies, whenever the need arises. The Audit Committee also review the proposed fees for non-audit services, as required and subsequently recommend to the Board for approval.

The Audit Committee has private sessions with the External Auditors, in the absence of the Executive Directors and management, to exchange views on issues of concern.

This statement was made in accordance with the resolution of the Board dated 2 July 2014.

Corporate Social Responsibility

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

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

COMMUNITY

a) Youth Development and Education

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

- Young Apprenticeships Scheme – A collaboration effort between Genetec and a pre-designated training centre to provide form five school leavers an employment opportunity upon completion of form five.
- Internship Program – work with various public and private higher education providers such as universities, colleges and polytechnic to provide practical training for their students.

b) Graduate Employment

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

WORKPLACE

a) Human Capital Development

Genetec considers its people as the most valuable asset. We believe training and development is important in developing and upgrading skills, knowledge and attitudes to ensure optimal performance. We provided financial assistance for those who wish to pursue for higher education. We constantly provide in-house and external training programmes to enhance and increase employees job-related skills knowledge and experience.

b) Staff welfare

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

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

c) Human Rights

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

Corporate Social Responsibility

WORKPLACE (continued)

d) Health and Safety

We strive to maintain a safe and healthy working environment for all our employees. Preventive actions are taken to mitigate risks such as:

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

ENVIRONMENT

a) Energy Savings

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

b) Green Environment

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

MARKETPLACE

a) Ethical Business Culture

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

Statement on Risk Management & Internal Control

1. INTRODUCTION

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

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

2. BOARD RESPONSIBILITY

The Board recognises the importance of sound internal control for good corporate governance and further affirms the overall responsibility for Genetec Group’s system of internal control. It covers not only financial, but also operational controls and for reviewing the adequacy and integrity of those systems on an on-going basis.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group’s business objectives. Accordingly, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

Material associated company has not been dealt with as part of the Group for purposes of applying the above guidance as it has its own system of internal controls in place. Nevertheless, the Board obtained operational and financial updates from Group management to monitor the investment.

3. INTERNAL AUDIT

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

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

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

The Internal Auditor refers to the Guidelines on the Internal Audit Function issued by The Institute of Internal Auditors Malaysia, the Standards for the Professional Practice of Internal Auditing (SPPIA) and the Code of Ethics issued by The Institute of Internal Auditors Inc.

4. RISK MANAGEMENT FRAMEWORK

The Board has reviewed the adequacy and effectiveness of the risk management framework and confirms that an ongoing process of identifying, evaluating and managing the Group’s risks exists and has operated throughout the year covered in this Annual Report and up to the date of its approval.

The Board maintains the Group’s risk management policy and framework whereby risk areas that could potentially have significant impact on the Group’s mid to long term business objectives are identified, evaluated and assessed.

Statement on Risk Management & Internal Control

4. RISK MANAGEMENT FRAMEWORK (continued)

This exercise was performed by the Risk Management Committee (“**RMC**”) which comprises the Chief Operating Officer and Departmental Managers / Heads. The RMC had identified and evaluated the significant risks which could potentially affect the strategic and operational objectives of the Group against a defined risk appetite and ensured that appropriate risk treatments were in place to mitigate those risks affecting the achievement of the Group’s business objectives. The RMC met twice during the financial year to review and update the Group’s principal risks.

The RMC reports to the Board the identified risks, its evaluation and actions taken in managing the significant risks faced by the Group.

5. INTERNAL CONTROL SYSTEM

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

Control Environment

- The Group has established a clear vision, mission, corporate philosophy and strategic direction that serves as the road map to the Group’s direction and communicated to employees at all levels.
- The Board is supported by various established committees in discharging its responsibilities that includes the Audit Committee, Nomination Committee and Remuneration Committee.
- A defined organisational and reporting structure has been established at all levels within the Group and are aligned to business and operational requirements. There was adequate upper level managerial support wherein, the management team was cohesive and complements each other in terms of skills and experience.
- The Group values ethical conduct, quality, timely delivery and customer satisfaction as project quality and deliverables have a direct impact on the Group’s bottom line.

Risk Assessment

- Management of individual subsidiaries and business divisions continuously assessed risks within their business environment and formulated required controls / mitigating strategies / corrective actions to minimise negative outcomes, i.e. reduce losses and prevent erosion of business profit margin.

Control Activities

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

Information and Communication

- The Group implemented enterprise resource planning system to provide informative and relevant reports, thus assisting in the decision making process.
- Submission of regular, timely and comprehensive flow of information and reports to the Board and Management on all aspects of the Group’s operations facilitate the monitoring of performance against strategic plans.
- Management meetings are convened at Group and subsidiaries levels to share information, discuss financial and business development, progress and performance monitoring as well as to decide upon operational matters. The proceedings of these meetings are documented in the minutes for further action and reference.

Statement on Risk Management & Internal Control

5. INTERNAL CONTROL SYSTEM (continued)

Monitoring

- Management constantly monitors the gaps and highlighted issues through the conduct of follow-up audits to improve on current processes and internal controls.
- Quarterly reviews on budgets are conducted to highlight any instances of significant variances that arose during the year which may require immediate management action.
- Internal audit reports were tabled to Management and the Board for their consideration and further action. Follow-up status reports were also dealt with in similar manner.

CONCLUSION

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

For the year under review, the Board is of the view that the system of internal control is adequate to safeguard shareholders' interest and the Group's assets and there were no material losses caused by the breakdown in internal controls. Management will continue to take measures and maintain an ongoing commitment to strengthen the Group's control environment and processes.

This statement was made in accordance with a resolution of the Board dated 2 July 2014.

Audit Committee Report

COMPOSITION

The present members of the Audit Committee are as follows:

Chairman

Hew Voon Foo – *Independent Non-Executive Director*

Members

Wong Wai Tzing – *Independent Non-Executive Director*

Teh Kim Seng – *Independent Non-Executive Director*

Chen Khai Voon – *Non-Independent Non-Executive Director*

TERMS OF REFERENCE

Membership

The Audit Committee shall be appointed by the Board pursuant to a Board Resolution and shall comprise of at least three (3) Members all of whom are Non-Executive Directors with a majority being Independent Directors.

The Chairman of the Audit Committee shall be an Independent Director.

If the number of Members is reduced to below three (3) as a result of resignation or death of a Member, or for any other reason(s) the Member ceases to be a Member of the Audit Committee, the Board shall, within three (3) months of that event, appoint amongst such other Non-Executive Directors, a new Member to make up the minimum number required therein.

All Members of the Audit Committee should be financially literate.

At least one (1) Member of the Audit Committee:-

- (i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (ii) if he/she is not a member of MIA, he/she must have at least three (3) years’ of working experience and:-
 - (a) he/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (b) he/she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- (iii) fulfill such other requirements as may from time to time be prescribed or approved by the Bursa Malaysia Securities Berhad (“Bursa Securities”).

An alternate Director is not eligible for membership in the Audit Committee.

Authority

The Audit Committee is authorised by the Board to:

- (i) have authority to investigate any activity within its Terms of Reference.
- (ii) have full and unlimited access of any information pertaining to the Company as well as direct communication channels with the Internal Auditors, External Auditors and employees of the Group.
- (iii) have the resources which are required to perform its duties inclusive the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

Audit Committee Report

TERMS OF REFERENCE (continued)

Authority (continued)

- (iv) have the power to establish Sub-Audit Committee(s) and delegate its powers to such Sub-Audit Committee(s) for the purpose of carrying out certain investigations on its behalf in such manner as the Audit Committee deems fit and necessary and, to appoint such officers within the Group as members of the Sub-Audit Committee(s).

Functions

The function of the Audit Committee should include the following:

- (i) to review the following and report the same to the Board:-
 - (a) with both the Internal Auditors and External Auditors their audit plans and reports.
 - (b) with the External Auditors, the evaluation of the adequacy and effectiveness of the internal control systems as well as the administrative, operating and accounting policies employed.
 - (c) the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.
 - (d) the Company's quarterly and annual/year end consolidated financial statements and thereafter to submit them to the Board, focusing particularly on any changes in or implementation of major accounting policies and practices; significant adjustments arising from the audit; significant and unusual events; the going concern assumption; compliance with accounting standards and other legal requirements.
 - (e) the External Auditors' management letter, management's response and resignation letter.
 - (f) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that arises questions of management integrity.
- (ii) to identify and direct any special projects or major findings of internal investigations it deems necessary and management response.
- (iii) to recommend/nominate a person or persons as the External Auditors. To consider the suitability for re-appointment of External Auditors, audit fee and any question of resignation or removal of the External Auditors.
- (iv) to discuss with the External Auditors before the audit commences, the nature and scope of their audit and ensure co-ordination where more than one audit firm is involved.
- (v) to discuss problems and reservations arising from the interim and final audits, and any other matter the External Auditors may wish to discuss in the absence of management, where necessary.
- (vi) to verify the allocation of options pursuant to the Employees' Share Option Scheme ("ESOS") as being in compliance with the criteria set out in the ESOS and to make such statement to be included in the Annual Report of the Company in relation to a share scheme for employees;
- (vii) to review reports and consider recommendations of the Sub-Audit Committee(s), if any.
- (viii) to review reports of the internal audit function directly which is independent of the activities it audits and should be performed with impartiality, proficiency and due professional care.
- (ix) to do the following, in relation to the internal audit function:-
 - (a) to establish an internal audit function which is independent of the activities it audits;
 - (b) review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (c) review the internal audit programme, process, the results of the internal audit programme, process or investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function;
 - (d) review any appraisal or assessment of the performance of members of the internal audit function;

Audit Committee Report

TERMS OF REFERENCE (continued)

Functions (continued)

- (ix) to do the following, in relation to the internal audit function:- (continued)
- (e) review of the effectiveness of the risk management, internal control and governance processes within the Group;
 - (f) approve any appointment or termination of senior staff members of the internal audit function which is performed internally; and
 - (g) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning which is performed internally.
- (x) To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.

Meetings

The Audit Committee will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the Audit Committee so decides to fulfill its duties.

A quorum shall consist of two (2) Members. The majority of Members present must be Independent Directors.

Proceedings of all meetings held and resolutions passed shall be recorded by the Secretary and kept at the Company's registered office.

The finance director/officer, the head or representative of internal audit and a representative of the External Auditors shall on invitation attend the Audit Committee meetings. Other Board members may attend the Audit Committee meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the External Auditors and/or Internal Auditors at least twice in a financial year without the presence of the executive board members of the Company.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

The Audit Committee met five (5) times during the financial year ended 31 March 2014. The details of attendance of each Audit Committee member at the Audit Committee meetings are as follows:

Audit Committee Member	Meeting Attendance
Hew Voon Foo	5/5
Wong Wai Tzing	5/5
Teh Kim Seng	5/5
Chen Khai Voon	5/5

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The Audit Committee carried out the following activities in discharging their duties and responsibilities:

Financial Results

- (i) Reviewed the quarterly financial results and annual audited financial statements of the Group including the announcements pertaining thereto, before recommending to the Board for their consideration and approval prior to the release of Group's results to Bursa Securities;

Audit Committee Report

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (continued)

Financial Results (continued)

- (ii) Reviewed the Group's compliance on the following areas, where relevant:
- Listing Requirements of Bursa Securities for ACE Market;
 - Provisions of the Companies Act, 1965 and other legal requirements; and
 - Applicable approved accounting standards in Malaysia.

External Audit

- (i) Reviewed with the External Auditors the scope and approach of their audit planning, audit findings, issues arising from audited report, areas of concern and management letter.
- (ii) Recommendations made by the External Auditors in respect of control weaknesses during the course of their audit were duly noted by the Audit Committee and highlighted to the Board.
- (iii) Reviewed External Auditors performance and independence before recommending to the Board their re-appointment and remuneration.
- (iv) The Audit Committee had met twice with the External Auditors without executive board members and management present during financial year ended 31 March 2014.
- (v) Reviewed the non-audit services and fees by External Auditors prior to engagement. The External Auditors also reported to the Audit Committee their policies and measures taken to ensure independence and objectivity is maintained.
- (vi) Assessed the annual performance of the External Auditors in respect of their performance for the financial year under review.

Internal Audit

- (i) Reviewed Internal Auditors' audit plan for the financial year ended 31 March 2014 to ensure that principal risk areas and key processes are adequately identified and covered in the plan.
- (ii) Reviewed internal audit reports, which reported the functions audited, audit findings, the Internal Auditors' recommendations to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
- (iii) Reviewed Internal Auditors' follow up reports on outstanding audit issues to monitor the effectiveness of corrective actions taken by the management.
- (iv) Reviewed the effectiveness of the internal control and governance processes within the Group.
- (v) Appraised or assessed the performance, competency, independency and resources of the Internal Auditors.

Related Party Transactions

- (i) Reviewed related party transactions for compliance with the Listing Requirements of Bursa Securities for ACE Market and the appropriateness of such transactions before recommending them to the Board for its approval.
- (ii) Reviewed the procedures relating to related party transactions/recurrent related party transactions and conflict of interest situation (if any) that with the objective of ensuring all the transactions are carried on normal commercial terms and are not detrimental of the Company's minority shareholders.

Audit Committee Report

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (continued)

Related Party Transactions (continued)

- (iii) Reviewed the recurrent related party transactions of a revenue or trading nature of the Group for inclusion in the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature for the Board approval.

Other Matters

- (i) Reviewed and recommended the Statement on Risk Management and Internal Control; and Audit Committee Report for Board approval.

INTERNAL AUDIT FUNCTIONS / ACTIVITIES AND COSTS

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

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

CGRM Infocomm Sdn Bhd is totally independent and maintains its objectivity during the conduct of audits as it does not involve in day-to-day operations of the Group.

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

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

The costs of the internal audit function paid to CGRM Infocomm Sdn Bhd for the financial year ended 31 March 2014 was RM21,000 (2013: RM18,480).