

WILLOWGLEN



2013 Annual Report

Contents

Notice of Annual General Meeting	2
Statement Accompanying Notice of Annual General Meeting	7
Financial Highlights & Group Structure	8
Corporate Information	10
Profile of Directors	11
Audit Committee Report	17
Chairman's Statement	23
Corporate Social Responsibility Disclosure	30
Corporate Governance Statement	32
Statement on Risk Management & Internal Control	38

Financial Statements

Directors' Report	42
Statements of Financial Position	47
Statements of Profit or Loss and Other Comprehensive Income	49
Statements of Changes in Equity	51
Statements of Cash Flows	54
Notes to the Financial Statements	57
Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses	114
Statement by Directors	115
Statutory Declaration	116
Independent Auditors' Report	117
Additional Compliance Information	119
Properties	120
Shareholdings Statistics	121
Form of Proxy	
Questions from Shareholders	

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur, Malaysia on Wednesday, 30 April 2014 at 10.00 a.m. for the following purposes:-

As Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. (Please refer Explanatory Note i)
2. To declare a final dividend of 20% tax-exempt for the financial year ended 31 December 2013. (Resolution 1)
3. To re-elect the following Directors who retire under the provisions of the Company's Articles of Association, and who being eligible, offer themselves for re-election:-
 - (a) Wang Shi Tsang (Resolution 2)
 - (b) Simon Wong Chu Keong (Resolution 3)
 - (c) Au Chun Choong (Resolution 4)
4. To approve the Directors' fees of RM90,000.00 for the financial year ended 31 December 2013. (Resolution 5)
5. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)
6. To transact any other ordinary business of which due notice shall have been given.

As Special Business

To consider and if thought fit, to pass the following Resolutions:-

Ordinary Resolutions

7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature

"THAT the Company and its subsidiaries shall be mandated to enter into the categories of Recurrent Transactions of a revenue or trading nature which are necessary for their day-to-day operations and with those Related Parties as specified in Section 2.1.3 of the Circular dated 7 April 2014 subject further to the following:-

-
- (a) the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public; and
 - (b) disclosure is made in the Annual Report of a breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year, amongst others, based on the following information :-
 - (i) the type of Recurrent Transactions made; and
 - (ii) the names of the Related Parties involved in each type of Recurrent Transactions made and their relationships with the Company;

AND THAT such authority shall commence upon passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Companies Act, 1965; or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

AND FURTHER THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing such documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution." (Resolution 7)

8. Re-appointment as Independent Non-Executive Directors

The Board of Directors of the Company, on the recommendation of the Nominating and Remuneration Committee, recommend that the following directors be re-appointed as independent directors even though they have served for more than nine years as they continue to bring their independent and objective judgement to Board deliberations:-

- (a) "THAT subject to the passing of Ordinary Resolution 2, Wang Shi Tsang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be re-appointed as an Independent Non-Executive Director of the Company."

(Resolution 8)

Notice of
Annual General Meeting (cont'd)

(b) "THAT Alfian Bin Tan Sri Mohamed Basir who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be re-appointed as an Independent Non-Executive Director of the Company" (Resolution 9)

9. Proposed Authorisation to Enable Willowglen MSC Berhad to Purchase Its Own Shares Up To 10% of The Issued And Paid-Up Ordinary Share Capital of The Company Pursuant to Section 67A of The Companies Act, 1965

"THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (a) the aggregate number of shares purchased does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings and share premium reserves of the Company at the time of the purchase(s); and
- (c) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder and to deal with the shares so purchased in such other manner as may be permitted by the relevant legislations and regulations.

AND THAT such authority shall commence upon passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which such resolution was passed at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next Annual General Meeting after the date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first.

AND THAT authority be and is hereby given to the Directors of the Company to act and to take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase.”
(Resolution 10)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final dividend of 20% tax-exempt for the financial year ended 31 December 2013, if approved by shareholders, will be payable on 28 May 2014 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 12 May 2014. A Depositor shall qualify for entitlement only in respect of:

- (a) shares transferred to the Depositor’s Securities Account before 4.00 p.m. on 12 May 2014 in respect of transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Leong Keng Yuen
Seow Fei San
Law Mee Poo
Secretaries

Kuala Lumpur
7 April 2014

Notes:

1. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 23 April 2014 (“General Meeting Record of Depositors”) shall be entitled to attend the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.
2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. When a member appoints more than one (1) proxy, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified. A proxy need not be a member of the Company.

Notice of Annual General Meeting (cont'd)

-
3. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
 4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
 5. The instrument appointing a proxy or proxies shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation under its Common Seal or the hand of its attorney duly authorised.
 6. Explanatory Notes:-

- i. Item 1 of the Agenda

This Agenda item is meant for discussion only, as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

- ii. Ordinary Resolution 7

[Proposed Resolution for Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue Or Trading Nature](#)

This proposed Ordinary Resolution, if passed, will provide a renewed mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with Related Parties in the ordinary course of business based on commercial terms which are not more favourable to the Related Parties than those generally available to the public and which are necessary for the Group's day-to-day operations. This mandate shall lapse at the conclusion of the next Annual General Meeting unless authority for the renewal is obtained from the shareholders of the Company at a general meeting.

- iii. Ordinary Resolutions 8 and 9

[Re-appointment as Independent Non-Executive Directors](#)

The proposed Ordinary Resolutions, if passed, will approve Wang Shi Tsang and Alfian Bin Tan Sri Mohamed Basir continuing in office as Independent Non-Executive Directors of the Company. Although not mandatory, under the Malaysian Code of Corporate Governance 2012, it is recommended that the cumulative term of office of independent directors should not exceed 9 years and shareholders' approval should be obtained if they are recommended to continue as Independent Directors.

Further details of Directors who are recommended for re-appointment as Independent Non-Executive Directors are set out in the Corporate Governance Statement of the Annual Report.

- iv. Ordinary Resolution 10

[Proposed Authorisation to Enable Willowglen MSC Berhad to Purchase Its Own Shares Up To 10% of The Issued And Paid-Up Ordinary Share Capital of The Company Pursuant to Section 67A of The Companies Act, 1965](#)

The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back Authority") by utilising the funds allocated which shall not exceed the total retained earnings and share premium account of the Company. Further information on the Proposed Share Buy-Back Authority is set out in the Circular to Shareholders dated 7 April 2014 which is despatched together with Company's Annual Report 2013.

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Sixteenth Annual General Meeting of the Company

- (a) Wang Shi Tsang
- (b) Simon Wong Chu Keong
- (c) Au Chun Choong

2. Details of the attendance of Directors at Board Meetings

There are four (4) Board of Directors' Meetings held during the financial year ended 31 December 2013.

Board of Directors	No. of Meetings Attended
Alfian Bin Tan Sri Mohamed Basir	4/4
Khor Chai Moi (retired on 31 July 2013)	2/2
Wong Ah Chiew	4/4
Simon Wong Chu Keong (appointed on 1 August 2013)	2/2
Wang Shi Tsang	3/4
Mohd Isa Bin Ismail	3/4
Au Chun Choong (appointed on 1 August 2013)	2/2

3. Place, Date and Time of the Sixteenth Annual General Meeting

The Sixteenth Annual General Meeting of the Company will be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur on Wednesday, 30 April 2014 at 10.00 a.m.

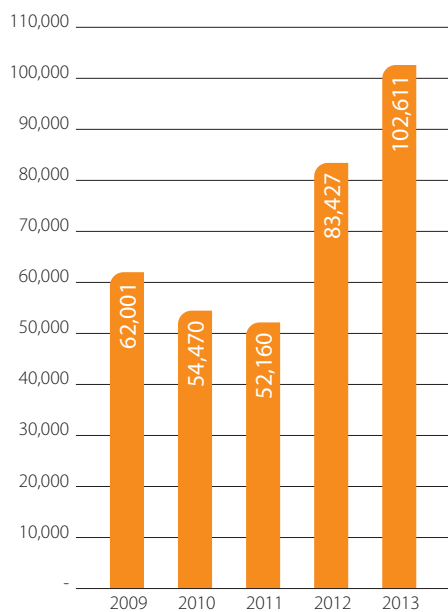
4. Details of Directors who are standing for re-election

Further details of Directors who are standing for re-election are set out in the Profile of Directors of the Annual Report.

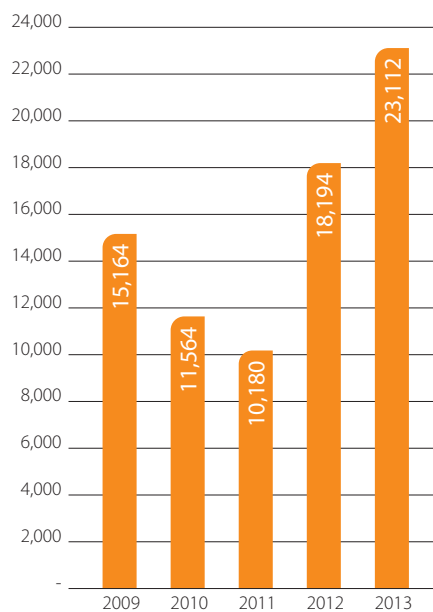
Financial Highlights & Group Structure

FIVE-YEAR GROUP FINANCIAL SUMMARY (RM'000)

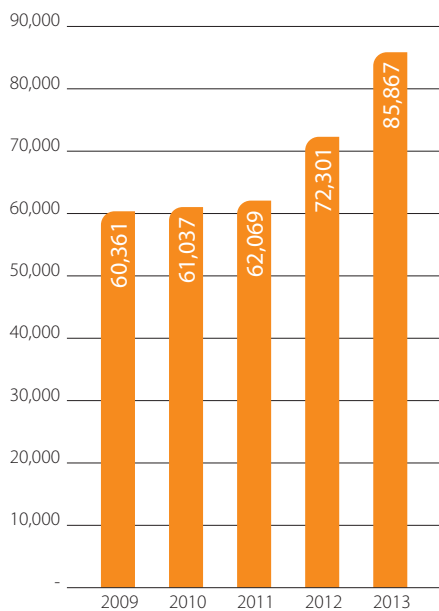
	2009	2010	2011	2012	2013
Revenue	62,001	54,470	52,160	83,427	102,611
Profit Before Tax	15,164	11,564	10,180	18,194	23,112
Profit Attributable To Owners Of The Parent	12,614	9,322	8,507	15,376	19,359
Total Assets	69,476	68,371	68,214	84,251	104,539
Total Liabilities	9,115	7,022	5,956	11,919	18,372
Total Equity Attributable To Owners Of The Parent	60,361	61,037	62,069	72,301	85,867
Basic Earnings Per Ordinary Share (sen)	5.10	3.77	3.49	6.32	7.95
Dividends Per Share (including special dividend) (sen)	2.00	3.00	3.00	2.50	3.00
Net Tangible Assets Per Share (sen)	24.38	24.86	25.58	29.70	35.30



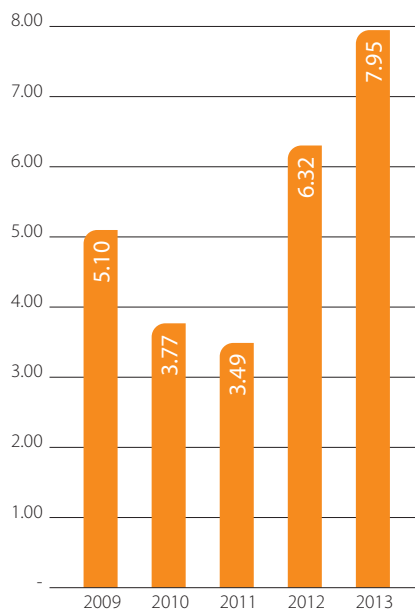
Revenue (RM'000)



Profit Before Tax (RM'000)



Total Equity Attributable To Owners Of The Parent (RM'000)

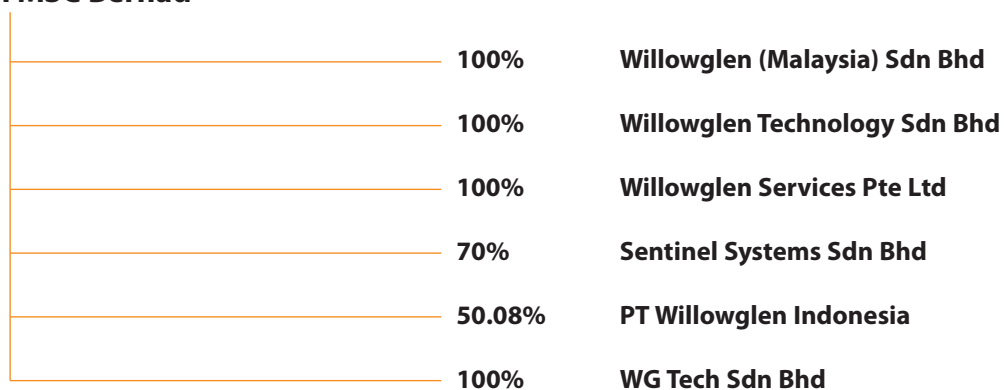


Basic Earnings Per Ordinary Share (sen)

Group Structure

As at 11 March 2014

Willowglen MSC Berhad



Corporate Information

Board of Directors

Alfian Bin Tan Sri Mohamed Basir (Chairman and Independent Non-Executive Director)

Wong Ah Chiew (Group Managing Director)

Simon Wong Chu Keong (Executive Director)

Wang Shi Tsang (Senior Independent Non-Executive Director)

Mohd Isa Bin Ismail (Independent Non-Executive Director)

Au Chun Choong (Independent Non-Executive Director)

Audit Committee

Wang Shi Tsang (Chairman)

Alfian Bin Tan Sri Mohamed Basir

Mohd Isa Bin Ismail

Nomination & Remuneration Committee

Alfian Bin Tan Sri Mohamed Basir (Chairman)

Wang Shi Tsang

Mohd Isa Bin Ismail

Secretaries

Leong Keng Yuen

Seow Fei San

Law Mee Poo

Auditors

Baker Tilly Monteiro Heng

Baker Tilly MH Tower

Level 10, Tower 1, Avenue 5

Bangsar South City

59200 Kuala Lumpur

Stock Exchange Listing

Main Market of

Bursa Malaysia Securities Berhad

Registered Office

No. 17 Jalan 2/149B

Taman Sri Endah, Bandar Baru Sri Petaling

57000 Kuala Lumpur

Tel: 03-90571228 Fax: 03-90571218

Head Office

No. 17 Jalan 2/149B

Taman Sri Endah, Bandar Baru Sri Petaling

57000 Kuala Lumpur

Tel: 03-90571228 Fax: 03-90571218

Email: corpinfo@willowglen.com.my

Website: www.willowglen.com.my

Share Registrars

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-78418000 Fax: 03-78418008

Principal Bankers

CIMB Bank Berhad

Malayan Banking Berhad

United Overseas Bank (Malaysia) Berhad

Profile of Directors

ENCIK ALFIAN BIN TAN SRI MOHAMED BASIR, aged 40, a Malaysian, is the **CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 9 October 2003.

He is a member of the Audit Committee and Nomination & Remuneration Committee of the Company.

Encik Alfian is a Chartered Accountant and a Member of Malaysian Institute of Accountants. He graduated from the University of Malaya with a Bachelor of Accounting (Hons) Degree.

Encik Alfian's career began at Ernst & Young, Kuala Lumpur, a global accounting firm. Specialising in the financial sector, he gained a wealth of experience managing large financial audits and special due diligence assignments, in conjunction with the consolidation of the local banking sector, at various local financial institutions such as the former Bank Bumiputra Malaysia Berhad and the Utama Banking Group. His experience also extends internationally, including assignments at the Central Bank of Mongolia and other commercial banks in Mongolia.

Due to his keen interest in the ICT sector, he left Ernst & Young in 2001 to set up an ICT and management consulting firm, TradeRoof Sdn Bhd. Since then, he had ventured further into the ICT and telecommunications industry, being involved in a number of technology-based companies. He is currently the Chief Executive Officer of Blue Horus Solutions Group, a regional Mobile Telecommunications-based solutions provider with operations in Malaysia, Cambodia and Indonesia. He is also on the Board of various private limited companies.

Encik Alfian does not have any family relationship with any Director and/or major shareholder of the Company. He also does not have any conflict of interest with the Company.

Encik Alfian has no conviction for any offences within the past ten years.

He attended all Board Meetings held in the financial year ended 31 December 2013.

Profile of Directors (cont'd)

MR. WONG AH CHIEW, aged 66, a Malaysian, is the **GROUP MANAGING DIRECTOR** of the Company. He joined the Board of Directors on 20 May 1998 as First Director of the Company and resigned on 30 July 1998. On 19 June 2000, he was re-appointed to the Board of Directors and subsequently appointed as Group Managing Director on 1 August 2013.

He is a member of the Corporate Announcement & Compliance Committee of the Company.

Mr. Wong holds a Bachelor of Science Degree in Electrical and Electronic Engineering from the University of Strathclyde, Scotland. He started his career in 1973 as Assistant District Engineer with Perak River Hydro Electric Power Co. Ltd, where he worked until 1982.

In 1982, Mr. Wong left the public service to join Dindings Consolidated Sdn Bhd as a Director where he managed the development of the housing and commercial property projects undertaken by the group.

Some of these projects included Taman Dindings, Ayer Tawar; Taman Desa Aman, Teluk Intan; Taman Sri Setapak, Kuala Lumpur; Taman Damai Jaya, Johor and Taman Sri Endah, Kuala Lumpur. Mr. Wong has more than 32 years of experience in property development.

He was the Managing Director of MCB Holdings Berhad, formerly a company listed on Bursa Malaysia Securities Berhad, from 1 August 1992 to 28 November 1997. He was also the Managing Director of PJ Development Holdings Berhad, from 12 December 1997 to 31 July 2013.

Mr. Wong is the father of Mr. Simon Wong Chu Keong, the Executive Director of the Company.

He does not have any conflict of interest other than those disclosed under Notes to the Financial Statements of this Annual Report.

Mr. Wong has no conviction for any offences within the past ten years.

He attended all Board Meetings held in the financial year ended 31 December 2013.

MR. SIMON WONG CHU KEONG, aged 38, a Malaysian, is the **EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 August 2013.

He is a member of the Corporate Announcement & Compliance Committee of the Company.

Mr. Wong holds a Bachelor of Commerce degree from Murdoch University, Western Australia and a Post Graduate Diploma from the School of Information Systems at Curtin University, Western Australia.

He was a software engineer of the Company from 1998 to 1999.

Following his interest in the field of Information Technology (IT), Mr. Wong then founded and held a director position in a privately owned company providing IT systems and related services.

From 2005 to 2013, he served in the property development and construction divisions within a public listed group and was also a director of several subsidiary companies within the group. He currently holds directorship of several other private limited companies in Malaysia.

Mr. Wong is the son of Mr. Wong Ah Chiew, the Group Managing Director of the Company.

He also does not have any conflict of interest other than those disclosed under Notes to the Financial Statements of this Annual Report .

Mr. Wong has no conviction for any offences within the past ten years.

He attended both the Board Meetings held since his appointment in the financial year ended 31 December 2013.

Profile of Directors (cont'd)

MR. WANG SHI TSANG, aged 60, a Malaysian, is the **SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 27 June 2002.

He is a member of the Audit Committee, Corporate Announcement & Compliance Committee, Nomination & Remuneration Committee and Risk Management Committee of the Company.

Mr. Wang holds a Master of Science Degree in Taxation from U.S.A. He is a Fellow of the Malaysian Institute of Taxation, an Associate Member of The Malaysian Institute of Chartered Secretaries & Administrators and a Certified Financial Planner.

Mr. Wang had served the Inland Revenue Department (now known as the Inland Revenue Board) from 1977 to 1991. He held the post of Assistant Director prior to joining the corporate sector. From 1 September 1991 to 28 August 2012 he worked in the Corporate Affairs Department of large listed company dealing with both corporate and tax matters. Since 29 August 2012 he has been acting as Senior Manager-Tax in the same company's Finance Department and is responsible for problem-solving and trouble-shooting in tax matters and to prepare the company for Goods and Services Tax.

Mr. Wang does not have any family relationship with any Director and/or major shareholder of the Company. He also does not have any conflict of interest with the Company.

Mr. Wang has no conviction for any offences within the past ten years.

He attended three (3) out of four (4) Board Meetings held in the financial year ended 31 December 2013.

ENCIK MOHD ISA BIN ISMAIL, aged 51, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 29 December 2006.

He is a member of the Audit Committee and Nomination & Remuneration Committee of the Company.

Encik Mohd Isa holds a Diploma in Accountancy from the University Technology MARA (1984).

He was a Financial Analyst and Cost Analyst of Motorola Semiconductor Sdn Bhd for eight (8) years until 1993 and a Dealer's Representative in K & N Kenanga Bhd (now known as Kenanga Investment Bank Berhad) for one (1) year. In 1995, he was appointed as a Director of Greatwall Plastic Industries Bhd and he resigned in 1997.

Currently, he is an Independent Non-Executive Director of Len Cheong Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Nautical Equities Sdn Bhd and Shoraka Capital Sdn Bhd, which are involved in provision of consultancy services.

Encik Mohd Isa does not have any family relationship with any Director and/or major shareholder of the Company. He also does not have any conflict of interest with the Company.

Encik Mohd Isa has no conviction for any offences within the past ten years.

He attended three (3) out of four (4) Board Meetings held in the financial year ended 31 December 2013.

Profile of Directors (cont'd)

MR. AU CHUN CHOONG, aged 62, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 August 2013.

He is a Fellow of the Association of Chartered Certified Accountants, an Associate Member of the Institute of Chartered Secretaries and Administrators, London, United Kingdom and a member of the Malaysian Institute of Accountants.

He has vast experience in tax and finance in public accounting firms.

He was attached to the Inland Revenue Department in Perak for several years. He left public service in 1980 and joined several public accounting firms as tax manager and financial consultant.

He was the Independent Non-Executive Director of PJ Development Holdings Berhad from 30 December 1989 to 31 July 2013.

Mr. Au is a Non-Executive Director of Luxchem Corporation Berhad, an investment holding company with its subsidiaries involved in distribution of industrial chemicals and materials.

Mr. Au does not have any family relationship with any Director and/or major shareholder of the Company. He also does not have any conflict of interest with the Company.

He has no conviction for any offences within the past ten years.

He attended both the Board Meetings held since his appointment in the financial year ended 31 December 2013.

Audit Committee Report

Chairman : WANG SHI TSANG (Senior Independent Non-Executive Director)

Members : ALFIAN BIN TAN SRI MOHAMED BASIR (Independent Non-Executive Director)

MOHD ISA BIN ISMAIL (Independent Non-Executive Director)

Summary of Terms of Reference

1.0 Objectives

Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities in compliance with the relevant rules and regulations governing listed companies relating to risk management and accounting and reporting practices.

2.0 Size and Composition

Comprise exclusively at least three (3) Non-Executive Directors the majority of which must be Independent Non-Executive Directors, with at least one of the Independent Non-Executive Directors of the Audit Committee a member of the Malaysian Institute of Accountants or fulfils such requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

3.0 Chairman of the Audit Committee

An Independent Non-Executive Director shall be elected as Chairman from among its members.

In the event the elected Chairman is not able to attend a meeting, a member of the Audit Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Non-Executive Director.

4.0 Meetings of the Audit Committee

Meet not less than four (4) times a year with a minimum quorum of two (2).

5.0 Duties and Rights

5.1 The duties of the Audit Committee shall include the following:-

Audit Committee Report (cont'd)

- 5.1.1 To review the following and report the same to the Board of Directors;
- with the external auditors, the audit plan;
 - with the external auditors, their evaluation of the internal controls and management information systems;
 - with the external auditors, their audit report;
 - the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
 - the quarterly and annual financial statements of the Group, focusing particularly on:
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
 - any management letter sent by the external auditors to the Company and the management's response to such letter;
 - the assistance given by the Company's officers to the external auditors;
 - all areas of significant financial risks and the arrangements in place to manage those risks;
- 5.1.2 To consider the appointment/re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal, including a formal evaluation of the external auditors at least once a year;
- 5.1.3 To recommend the nomination of a person or persons as external auditors;
- 5.1.4 To discuss with the external auditors before the audit commences, their audit plan including the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- 5.1.5 To discuss issues and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- 5.1.6 To do the following in relation to the internal audit function:-
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;
 - take cognisance of resignations of internal audit staff members and provide resigning staff member an opportunity to submit his reasons for resigning;

-
- to discuss issues and reservations arising from the audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

Where the internal audit function is outsourced, the duties with regard to staffing of the internal audit function shall be modified and the service provider shall inform the Audit Committee on all relevant material changes in staffing.

To review the Risk Management Committee's reports and assist in ensuring that an appropriate risk management framework is in place and controls to manage the risks are appropriate;

- 5.1.7 To consider any related party transaction and potential conflict of interest situation that may arise within the Group or Company;
- 5.1.8 To consider the major findings of internal investigations and management's response; and
- 5.1.9 To consider other matters delegated by the Board of Directors.

5.2 The Audit Committee shall:-

- 5.2.1 Have explicit authority to investigate any matter within its terms of reference;
- 5.2.2 Have the resources which it needs to perform its duties;
- 5.2.3 Have full and unrestricted access to any information pertaining to the Company and its subsidiaries;
- 5.2.4 Have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- 5.2.5 Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;
- 5.2.6 Be able to invite outsiders with relevant experience to attend its meetings if necessary; and
- 5.2.7 Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

5.3 Management shall provide the fullest co-operation in providing information and resources to the Audit Committee, and in implementing or carrying out all requests made by the Audit Committee.

Audit Committee Report (cont'd)

6.0 Audit Committee Reports

An Audit Committee report and a Statement on Risk Management and Internal Control shall be prepared at the end of each financial year that complies with regulatory guidelines for inclusion in the annual report of the Company.

7.0 Rights of Auditors

The external auditors and internal auditors have the right to appear and be heard at any meeting of the Audit Committee and shall so appear when required by the Audit Committee.

8.0 Functional Independence

The Audit Committee shall function independently of the other Directors and officers of the Group and of the Company. Such other Directors and officers may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

9.0 Reporting of Breaches to the Exchange

Where an Audit Committee is of view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

10.0 Retirement and Resignation

Sufficient written notice is required from Audit Committee member who wish to retire or resign so that a replacement may be appointed before he leaves. In the event of any vacancy in the Audit Committee, the Company shall fill the vacancy within two (2) months, but in any case not later than three (3) months.

11.0 Review of the Audit Committee

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with the terms of reference.

Meetings

The Audit Committee held four (4) meetings during the financial year ended 31 December 2013.

Details of attendance of the members at the Audit Committee meetings are as follows:-

Directors	Attendance of Meetings
Wang Shi Tsang	3/4
Alfian Bin Tan Sri Mohamed Basir	4/4
Wong Ah Chiew (ceased as member on 1 August 2013)	2/2
Mohd Isa Bin Ismail	3/4

Minutes of meetings of the Audit Committee are circulated to all members of the Audit Committee and the Board.

Summary of Activities

During the year under review, the following were among the activities carried out by the Audit Committee:-

- 11.1 Reviewed with the external auditors their annual audit plan;
- 11.2 Reviewed with the external auditors the results of the annual audit, their management letter and management's response and confirmed there was no private issue;
- 11.3 Reviewed the adequacy of the scope, functions and resources of the Outsourced Internal Audit (OIA) function, and that it has the necessary authority to carry out its work;
- 11.4 Reviewed and discussed the internal audit reports. The Audit Committee was briefed by the Head of OIA on the audit findings and corrective action has been taken to rectify the weaknesses where applicable;
- 11.5 Reviewed the quarterly and year end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on:
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - compliance with accounting standards and other legal requirements;

Audit Committee Report (cont'd)

- 11.6 Reviewed the related party transactions and conflict of interest situations that may arise within the Group or the Company and the procedures to track and approve such transactions; and
- 11.7 Reviewed the adequacy of risk management process to identify significant risks that may materially affect the achievement of the Group's strategic business and operational objectives and that the control system is in place to monitor and manage these risks.

Subsequent to the financial year, the Audit Committee also evaluated the performance of the external auditors and recommended that they be re-appointed.

Internal Audit Function

Presently, the Company does not have its own internal audit department and have outsourced this to an external party to assist the committee in ensuring the adequacy and effectiveness of the Group's risk management and internal control systems.

During the year under review, the OIA carried out its duties according to the approved audit plan, and areas of concern which require further improvement were highlighted in the audit reports and discussed in the Audit Committee meetings.

The OIA had conducted a control assessment survey on the Group, a risk and internal control review on the accounts and finance, human resource, procurement and marketing function of the Group's Singapore operations. They have also conducted a review on the controls over tendering of projects, customers' service after project completion, accounts receivable, payroll and HR records management, related party transactions and funds management of the Malaysian operations.

The cost incurred during the year under review for the OIA was RM 26,738.

The Board had via the Audit Committee evaluated the effectiveness of the internal audit by reviewing the results of its work in the Audit Committee meetings.

Chairman's Statement



Our Vision

- To be a leading company providing Innovative SCADA, Integrated Security and InfoComm Solutions.

Our Mission

- To provide cost effective system solutions with state - of - the - art products and quality services.
- To continually develop customer relationship by meeting their needs and enhancing partnership.
- To consistently apply our Core Values into all our operations.

Our Core Values

Customer Focus

- We work in partnership with our customers.
- We listen to our customers to improve our products, services and deliveries.
- We fulfill our commitments to our customers.

Commitment & Ownership

- We strive to achieve our company Vision, Mission and Objectives.
- We are committed to quality in our products and services.
- We take ownership of our jobs.

Teamwork

- We believe in open communication, sharing of knowledge and experience to enhance our performance.
- We work as a team.
- We work synergistically to increase productivity, to improve trust and working relationships.

Leadership

- We provide leadership so that our team members realise their highest personal and career potentials.
- We lead by example.
- We value opinions of our team members even though they may be different from ours.
- We are honest, trust-worthy and ethical in our actions at all times.

Chairman's Statement (cont'd)

Dear valued shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and its Group of companies for the financial year ended 31 December 2013.

Financial Review

For the financial year 2013, the Group's revenue increased by 22.99% to RM102.61 million from RM 83.43 million last financial year. The Group's profit after tax increased by 26.66% to RM19.29 million from RM15.23 million last year, due to increase in turnover, improvement in margins and revaluation gain from investment property.

The Group's main markets continue to be Singapore and Malaysia. The turnover from the Singapore and Malaysia operations has increased by 19.24% and 23.42% respectively compared to year 2012. The Indonesia operations are still at development stage and will focus on providing Supervisory Control And Data Acquisition (SCADA) and security solutions to the data centers, utilities and oil and gas.

The Group's basic earnings per ordinary share is 7.95 sen as compared to 6.32 sen in year 2012. Our NTA per share has increased to 35.30 sen from 29.70 sen in year 2012. In addition, the Group maintains a strong net cash position of RM43.02 million as of 31 December 2013.

Dividend

The Board is pleased to recommend a first and final tax exempt dividend of 20% per share for the financial year ended 31 December 2013 for our shareholders' approval at the forthcoming Annual General Meeting.

Industry Trend and Development

The SCADA market is among the most rapidly growing control systems market in the world. SCADA systems bring improved performance to geographically dispersed assets and provide a framework for real-time performance management on a regional, or even global basis. End users are utilising SCADA technology for a range of operational improvement applications and linking these to business processes for a variety of purposes, both internal and external to the enterprise.

The emerging trends in SCADA technology development are focused on the cloud-based services in remote assets monitoring, reliability in alarm management, scalability and flexibility for future expansion, redundancies in process critical applications, smart applications for field SCADA, centralised or decentralised data/servers for utility SCADA and developing flexible network architecture.

SCADA markets in mature and developing regions are set to continue to expand over the next few years due to the increasing demand for new and modern facilities and infrastructures. We will put in our effort to capture this market segment.

Research and Development (“R&D”)

In 2013, the R&D division focus was on delivery of Remote Terminal Units (RTU) and software solutions for various local and overseas projects. Notably, our software and RTUs for the LRT project is undergoing extensive testing at the customer’s site while in Slovenia, installation and commissioning of new 6900 RTUs was completed and operational since December. We are on course to deliver our solutions on time and while fulfilling all contractual requirements.

In the fourth quarter, we have embarked on the next major feature development for WillowLynx to cater for increasing requirement for mobile application, enhanced SCADA security and graphical user interface. The hardware group is in the midst of developing a new range of RTU while upgrading the existing ones. With all the changes in place, we are striving to further enhance our R&D capability to meet more demanding industry requirements.

Our R&D expenses in year 2013 was about RM1.38 million. We are increasing development expenditure in year 2014 to develop a new series of RTU and deliver feature rich products and solutions for complex SCADA applications.

Chairman's Statement (cont'd)

Prospects For The Year 2014

The Entry Point Projects (EPPs) under the Economic Transformation Programme (ETP) are expected to favour many industries' growth and prospects. The government's allocation of budget for development expenditure in year 2014 is expected to benefit the infrastructure sector and oil and gas industry. The continuous ETP and 10th Malaysia Plan major projects such as the LRT extensions, KVMRT, water treatments, sewerage treatment and PETRONAS' proposed Refinery and Petrochemical Integrated Development (RAPID) complex etc. will provide opportunities for the Group.

We intend to set up an office in Johor to explore new business opportunities in the southern region areas such as the Iskandar Development Region, Nusajaya and Pengerang as well as to provide better services to our existing customers in the region.

As for Singapore, more business opportunities are seen in the development of new infrastructure facilities, developments and security enhancements. The demand to integrate systems are growing in all kinds of traditional industries. Our capability to integrate SCADA into security and business intelligence will provide value-added solutions to meet this demand. In addition, maintenance needs of newly installed equipment and systems also creates more opportunities for our Group.

In Indonesia, we are putting extra efforts to promote and seek business opportunities to develop our brand name and market.

Human Capital Development

Human resource is the most valuable asset to the Group. We are committed to ensure that we have the best teams for the job and also to develop future talents of the Group. With this in mind, the Group continually nurtures its employees to provide them with the relevant knowledge and technical skills. A performance management system has been put in place to meet challenges, promote innovation and develop top performing teams.

As the Group strives to expand its business and market share, we recognise that human capital will be the main impetus towards achieving our goal.

Acknowledgement and Appreciation

On behalf of the board, I wish to record my appreciation to the Management and staff for their dedication, commitment and contributions to the success of the Group.

The Group would like to express our sincere appreciation and gratitude to our valued customers, business associates, partners, shareholders and regulatory authorities for their confidence and ongoing support.

We also wish to express our appreciation to Puan Sri Khor Chai Moi who has retired as Managing Director of the Group and at the same time extend a warm welcome to Mr. Simon Wong Chu Keong and Mr. Au Chun Choong who have joined the board as Executive Director and Independent Non-Executive Director respectively.

ALFIAN BIN TAN SRI MOHAMED BASIR
Chairman

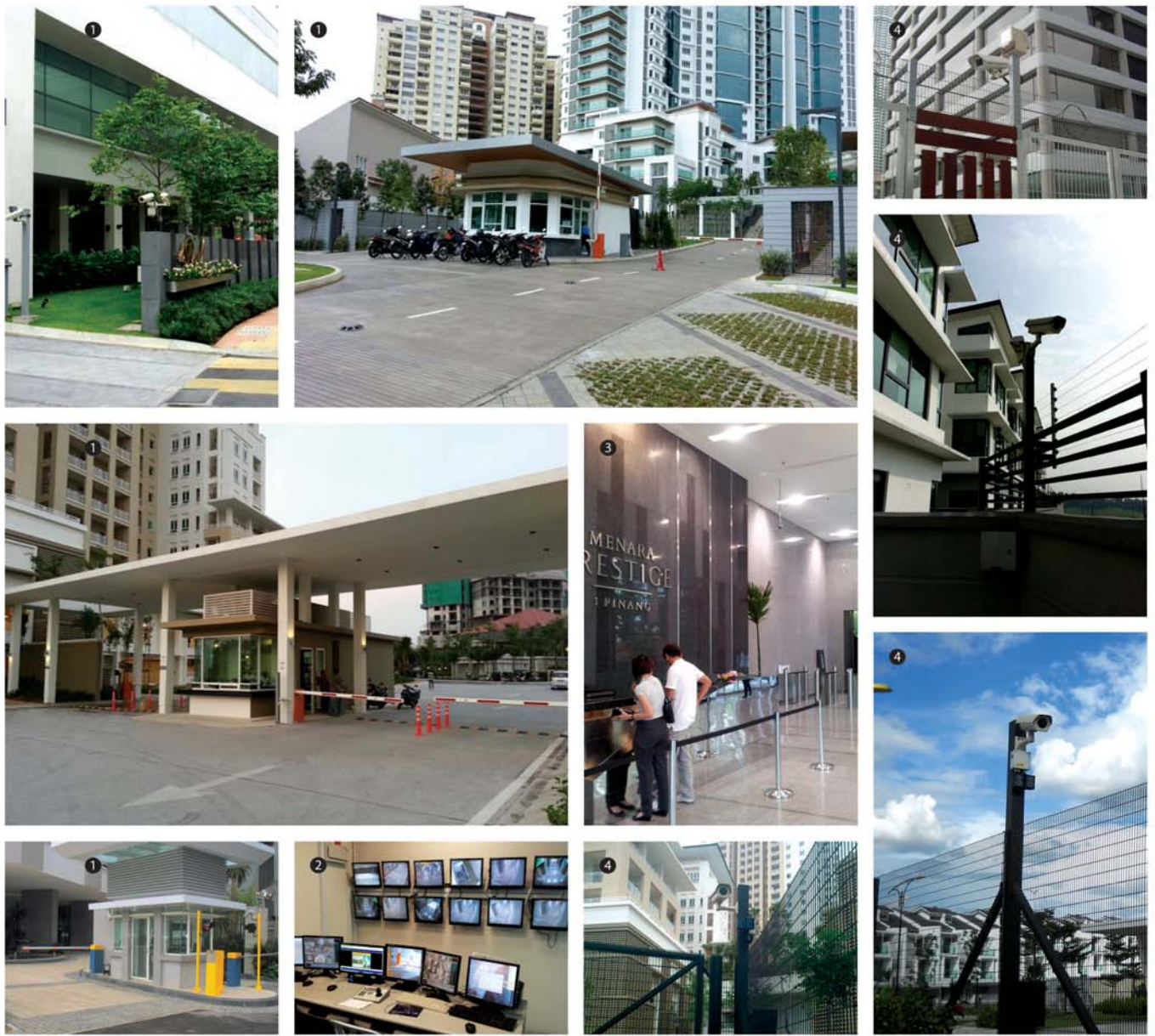
Some of the SCADA Projects



- 1 Railway Utilities Monitoring
- 2 Gas Transmission & Distribution Pipeline Monitoring
- 3 Oil & Gas
- 4 Sewerage Treatment Process Control and Plant Monitoring
- 5 Power Transmission Monitoring

- 6 Port Facilities Monitoring
- 7 Process Control and Plant Monitoring
- 8 Building Services Monitoring
- 9 Reservoir Monitoring

Some of the Integrated Monitoring System (IMS) Projects



- 1 Building Integrated Security & Motoring Solution
- 2 Security System Command Centre
- 3 Turnstile Security System & Visitor Management System
- 4 Perimeter Fencing Monitoring

Corporate Social Responsibility Disclosure

The Group believes that effective corporate social responsibility can deliver benefits to its businesses and, in turn, to its shareholders, by enhancing reputation and business trust, relationship with regulators, staff motivation and attraction to talent, customer preference and loyalty, the goodwill of local communities and long term shareholder value.

The Group will always endeavour to discharge its corporate social responsibility diligently to the environment, the marketplace, its employees, the shareholders, the community and other stakeholders alike.

Environment

Although the Group does not operate in an environmentally sensitive business, we recognise its duty to minimise its impact on the environment. The Group has identified opportunities to reuse and recycle or minimise the resources it consumes as the Group believes in caring for the environment through efficient utilisation and recycling of resources. The Group also encourages the adoption of energy efficient electronics, LED lighting and electrical appliances.

During the financial year, the management encourages staff to recycle paper and reduce the storage of paper and documents. We educate the staff on the importance of energy conservation such as instilling good habit of switching off lights and air-conditioning during lunch time or when they are out from the office. The staff is also encouraged to fully maximise the benefits of ICT (eg. email, etc).

Marketplace

Every employee of the Group is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Group is held to the same standard in its compliance with all applicable legal and regulatory requirements.

We ensure that stakeholders are kept informed of the Group's performance and have open channels for dialogues during our general meetings and feedback on our corporate website.

The Group will also support the market with good products, engaging in ethical procurement practices, and maintaining quality of its service and business offerings.

Workplace

The Group 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 constantly provide in-house and external training programmes to enhance and increase employees' job-related skills, knowledge and experience.

We offer our staff an attractive benefits package, including Personal Accident Insurance and Medical Plan. The Group organises social gatherings periodically to maintain harmony and build better rapport between employees. The Group believes that each and every staff of the workforce can contribute something, either big or small to the Company. We also continually reward and recognise employees for their outstanding efforts and performance during the financial year.

We strive to maintain a safe and healthy working environment for all the employees. Preventive actions are taken to mitigate risks such as allocating First Aid Kit boxes in office premises and employing security guards.

Community

The Group recognises its responsibility to contribute to the capabilities of tomorrow's workforce. Since 2002, we provide industrial training opportunities to students from various colleges and universities.

We also strive to be involved in giving back to society by supporting the local charities with donations during the financial year.

Corporate Governance Statement

The Board is committed to achieve and maintain a high standard of corporate governance in order to protect and enhance the shareholders' value and corporate performance in the Group. As such, the Board fully subscribes to the Principles set out in the Malaysian Code On Corporate Governance 2012 ("MCCG 2012") issued by the Securities Commission.

The Group has in year 2013 complied with the principles and recommendations of the MCCG 2012, save for one of the recommendations that the tenure of the independent director should not exceed a cumulative term of 9 years.

1. Directors

1.1 The Board

The Board has overall responsibility for strategic planning and direction, setting the corporate goals, organising resources, monitoring the achievement of the goals and evaluating whether the Company's business is being properly managed.

The Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. The Board supports the highest standards of corporate governance and the application of the Recommendations in the framework issued by MCCG 2012 for the Group.

1.2 Board Balance

The Board consists of six (6) members, comprising the Independent Non-Executive Chairman, the Group Managing Director, the Executive Director, the Senior Independent Non-Executive Director and two (2) other Independent Non-Executive Directors.

The current Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad for Main Market (LR). More than one third (1/3) of the Board is represented by Independent Non-Executive Directors who are independent of management, thereby ensuring independence in the Board deliberations and decision-making.

The Profile of the Directors is set out in this Annual Report.

The Directors combined in them have expertise and experience in various fields such as economics and investment, public services, accounting, taxation and legal. Their expertise, experience and background result in thorough examination and deliberations of the various issues and matters affecting the Group.

The Chairman ensures the orderly conduct and effective running of the Board while the Managing Director manages the Group's day-to-day activities in achieving corporate and business objectives.

The Independent Directors provide unbiased views and impartiality to the Board discussions and decision making and ensure that the interests of all shareholders are fairly represented at Board deliberations. Annual assessment is carried out on the Independent Directors by the Nomination & Remuneration Committee.

1.3 Re-appointment as Independent Non-Executive Directors

Recommendation of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years.

The Nomination & Remuneration Committee and Board have assessed the independence of Wang Shi Tsang and Alfian Bin Tan Sri Mohamed Basir, who each have served on the Board as Independent Non-Executive Directors for more than nine (9) years and recommend that they be re-appointed as Independent Non-Executive Directors as they continue to bring independent and objective judgement to board deliberations and continue to meet the following criteria for independence in discharging their roles and functions as Independent Non-Executive Directors of the Company :-

- 1.3.1 fulfilled the criteria under the definition of Independent Director pursuant to the LR;
- 1.3.2 vast experience in respective industries which could provide the Board with a diverse set of experience, expertise and independent judgement;
- 1.3.3 actively participate in board deliberations and decision making in an objective manner;
- 1.3.4 devoted sufficient time and attention to their responsibilities as an Independent Non-Executive Director of the Company; and
- 1.3.5 exercised due care in the interest of the Company and shareholders during tenure as an Independent Non-Executive Director of the Company;

1.4 Supply of information

All Directors have full access to information concerning the Company and the Group. Board papers and reports which include quarterly and annual financial statements and corporate information are distributed to the Directors prior to the Board Meeting and to enable Directors to obtain further information, where necessary, in order to be properly briefed before meeting.

The Directors also have access to the advice and services of the Company Secretary, senior management staff as well as independent professional advisers including the external auditors.

1.5 Appointment to the Board

The Nomination & Remuneration Committee was established on 15 November 2002. The members of the Nomination & Remuneration Committee who served during the financial year ended are set out in the Corporate Information of this Annual Report.

The Committee is empowered by its terms of reference and its primary function is to recommend new candidates for directorship to the Board, recommend Directors to fill the seats on the Board

Corporate Governance Statement (cont'd)

Committees, assess the effectiveness of the Board, Board Committees and its members, assist the Board in reviewing the required mix of skills and experience and other qualities of the Board and ascertain a fair and comparable remuneration package for Executive Directors.

1.6 Re-election of Directors

In accordance with the Company's Articles of Association, one third (1/3) of the Directors shall retire by rotation annually, provided always that all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election.

1.7 Directors' Training

All the Directors have complied with the Mandatory Accreditation Program requirement within the timeframe stipulated by the LR. The Directors are mindful that they should continue to attend seminars and courses to keep abreast with developments in the market place as well as new regulations and statutory requirements.

The Directors are also encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars, briefings or dialogues that would best enable them to enhance their knowledge and contributions to the Board.

The training programme, seminar and/or conferences attended by the Directors during the financial year are as follows:-

- 1.7.1 6th Malaysian Property Summit 2013
- 1.7.2 National Tax Conference
- 1.7.3 2014 Budget Seminar
- 1.7.4 GST Training Course
- 1.7.5 Equity Portfolio Strategy & Global Market Moving Events
- 1.7.6 Alternative Investments in Global Futures

1.8 Board Committees

In order to ensure the Board's effectiveness as well as to comply with certain fiduciary duties, the Board has delegated certain responsibilities to the following committees, which operate within clearly defined terms of reference:-

1.8.1 Audit Committee

The composition, summary of the terms of reference and summary of activities of the Audit Committee is included in the Audit Committee Report of this Annual Report.

1.8.2 Nomination & Remuneration Committee

The Nomination & Remuneration Committee comprises the Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

The Committee recommends to the Board on the assessment and appointment of new Directors, meets to discuss and review the assessment of other committees and their members in a periodic review of the members' performance and their contribution to their respective committees and make recommendations to the Board. In addition to the annual review of the performance of each Director, the Committee also assesses the independence of the Independent Directors. The Committee also carries out annual reviews and recommends to the Board the remuneration, compensation and benefits package of the Executive Directors.

1.9 Board Gender Diversity Policies and Targets

Corporate Governance Blueprint 2011 stated that the Board should ensure women participation on boards to reach 30% by year 2016. The Board will review the suitability and creditability of women candidates for the Board.

2. Directors' Remuneration

The remuneration of the Executive Director is structured so as to link rewards to corporate and individual performance in order to attract, retain and motivate the Executive Director to run the Group successfully. For the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned. Remuneration of the Executive Director is considered and recommended by the Nomination & Remuneration Committee. Remuneration of Non-Executive Directors and the Executive Director is approved by the full Board of Directors with directors' fee recommended to the shareholders for approval.

Corporate Governance Statement (cont'd)

Directors' remuneration for the financial year ended 31 December 2013 is as follows:-

Remuneration Components	Company	
	Executive Directors RM	Non-Executive Directors RM
Directors' fees	30,000	60,000
Salaries and bonus	999,600	-
Gratuity	453,600	-
	1,483,200	60,000

The number of Directors in each remuneration band for the financial year is as follows:-

Remuneration Band	Company	
	Executive Directors	Non-Executive Directors
RM50,000 and below	-	4
RM150,001 to RM200,000	1	-
RM500,001 to RM550,000	1	-
RM800,001 to RM850,000	1	-

3. Shareholders

3.1 Dialogue between companies and investors

The Board recognises the importance of keeping the shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the Group's annual reports, circulars, quarterly results and the various announcements made from time to time.

The Company also maintains a website at www.willowglen.com.my, which provides pertinent and updated information on the corporate and business aspects of the Group. Alternatively, they may obtain the Company's latest announcements via Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.

3.2 Annual General Meeting (“AGM”)

The AGM is the principal forum for dialogue with individual shareholders and investors, gathering views and answering questions on all issues relevant to Group’s business activities and prospects. The Board encourages full participation by shareholders at every General Meeting of the Company and every opportunity is given to the shareholders to raise questions on any item in the agenda or the Group’s operation in general.

4. Accountability and Audit

4.1 Financial Reporting

In its financial reporting to the shareholders and other interested parties by means of annual financial statements and quarterly results announcements, the Board aims to present a balanced and understandable assessment of the Group’s financial position and prospects.

4.2 Statement of Directors’ Responsibility

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company for that financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2013, appropriate accounting policies have been adopted, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all the relevant approved accounting standards have been followed in the preparation of these statements.

The Directors are also responsible for safeguarding the assets of the Group and of the Company and have taken reasonable steps in the prevention and detection of fraud and other irregularities.

4.3 Internal Control

The information on the Group’s internal control is presented in the Statement on Risk Management and Internal Control of this Annual Report.

4.4 Relationship with External Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group’s external auditors. Representatives of the external auditors were invited for the meeting to brief the Audit Committee on specific issues arising from the annual audit of the Group.

Statement on Risk Management & Internal Control

Introduction

The Board of Directors of Willowglen MSC Berhad is committed to maintain a sound system of internal control and effective risk management practices for good corporate governance. The Board is pleased to provide the following statement, which outlines the risk management and internal control processes of the Group during the year under review.

Board Responsibilities

The Board acknowledges its overall responsibility for the Group's system of internal control and risk management as well as reviewing the adequacy and effectiveness of those systems on a regular basis. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. As such, they can only provide reasonable assurance rather than absolute assurance against material misstatement or loss.

The Board has established the Risk Management Committee to oversee the overall risk management process. Senior management contributes to the formulation of operating policies and procedures, including authority limits. The internal audit function checks that such operating policies and procedures have been complied with and also checks on the effectiveness of the internal controls.

The Board, through the Audit Committee, observed that measures were taken on areas identified for improvement, as part of management's continuous efforts to strengthen the Group's internal control.

Risk Management Framework

A Risk Management Committee (RMC) was set up to drive the risk management process in identifying principal business risks and ensure the implementation of appropriate controls to manage these risks.

The RMC comprises two representatives of the Board and four members of the management team, whilst each business unit's risk management is led by the respective head of unit. The RMC oversees the potential risks concerning the business and operations to ensure that they are effectively managed and reports its concerns to the Board and the Audit Committee. Risk management is a continuous process of identifying, evaluating, managing and reviewing significant risks faced by the businesses in the Group.

RMC meets at least three times per annum and the invitees from the respective business units attend the RMC meetings to brief the committee on the significant risks identified so that these risks are constantly monitored and appropriate actions are promptly taken.

Control Structure and Environment

The Board is committed to maintain a strong control structure and environment for the proper conduct of the Group's business operations.

The Board has identified human capital management and development as a key area for risk management and the efforts taken are highlighted in the Chairman's Statement.

The following sets out the key elements of the system of internal control of the Group:

- An organisational structure with formally defined lines of responsibility and delegation of authority. Structured authority limits provide a framework of authority and accountability within the Group and this facilitates timely corporate decision making at the appropriate levels in the Group.
- The Group performs annual budgeting and target setting processes including development of business strategies.
- Policies and procedures of operating units within the Group are documented in Standard Operating Procedures manuals. The standard operating procedures are periodically updated to reflect changing risks or to resolve operational deficiencies.
- The Board and Audit Committee have engaged the Outsourced Internal Auditors (OIA) to carry out the internal audit function. The OIA monitors compliance with policies and procedures and the effectiveness of internal controls. The OIA adopts a risk-based approach in identifying areas of priority and carries out its duties according to the annual internal audit plan approved by the Audit Committee. The OIA also carries out follow up audits. Findings in respect of any material non-compliance are reported to the Audit Committee.
- The Audit Committee reviews the audit reports on internal control and risk issues identified by the OIA and external auditors and ensure Management takes prompt and adequate corrective actions on the reported weaknesses and non-compliances identified in the audits.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 31 December 2013 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the risk management processes and internal controls.

Statement on Risk Management & Internal Control (cont'd)

Conclusion

The system of internal control and risk management are embedded into the operations of the Group, and actions taken to mitigate any weaknesses are carefully monitored.

The Board has received assurance from the Group Managing Director, Executive Director, subsidiary's Chief Executive Officer and General Manager-Finance & Admin (Group Accountant) 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.

The Board is of the view that the existing system of internal control is adequate but will continue to take appropriate measures to strengthen the control environment in the face of changing regulations and operating conditions. There was no material control failure or weakness that would have a material adverse effect on the results of the Group during the current financial year.

Financial Statements

Directors' Report	42
Statements of Financial Position	47
Statements of Profit or Loss and Other Comprehensive Income	49
Statements of Changes in Equity	51
Statements of Cash Flows	54
Notes to the Financial Statements	57
Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses	114
Statement by Directors	115
Statutory Declaration	116
Independent Auditors' Report	117

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal activities

The Company is principally engaged in the research, development and supply of computer-based control systems. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	19,291	5,845
Other comprehensive income for the financial year, net of tax	1,505	-
Total comprehensive income for the financial year	20,796	5,845
Profit attributable to:		
Owners of the parent	19,359	5,845
Non-controlling interest	(68)	-
	19,291	5,845
Total comprehensive income attributable to:		
Owners of the parent	20,868	5,845
Non-controlling interest	(72)	-
	20,796	5,845

Dividends

The dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
First and final tax exempt dividend of 20% and a special tax exempt dividend of 10% on 243,406,600 ordinary shares in respect of the financial year ended 31 December 2012, approved by shareholders at the Annual General Meeting on 29 May 2013 and payable on 28 June 2013	7,302

At the forthcoming Annual General Meeting, a first and final tax exempt dividend of 20% per share in respect of the financial year ended 31 December 2013 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

Reserves and provisions

There were no material transfers to and from reserves and provisions during the financial year other than as disclosed in the financial statements.

Bad and doubtful debts

Before the statements of profit or loss, statements of other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts and that no allowance for doubtful debts was necessary.

At the date of this report, the directors are not aware of any circumstances that would render it necessary to write off any bad debts or to make any allowance for impairment in respect of the financial statements of the Group and of the Company.

Current assets

Before the statements of profit or loss, statements of other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and other liabilities

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

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

No contingent liabilities or other liabilities of the Group and of the Company 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.

Change of circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, which would render any amount stated in the financial statements misleading.

Directors' Report (cont'd)

Items of an unusual nature

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Issue of shares and debentures

During the financial year, the Company did not issue any shares or debentures.

Treasury shares

During the financial year, the Company did not buy back any shares. As at 31 December 2013, of the total 248,000,000 issued and fully paid ordinary shares of RM0.10 each, 4,593,400 ordinary shares of RM0.10 each have been bought back and are currently held as treasury shares by the Company as disclosed in Note 17 to the financial statements.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:-

Alfian Bin Tan Sri Mohamed Basir	
Khor Chai Moi	- Retired on 31 July 2013
Wang Shi Tsang	
Wong Ah Chiew	
Mohd Isa Bin Ismail	
Au Chun Choong	- Appointed on 1 August 2013
Simon Wong Chu Keong	- Appointed on 1 August 2013

Directors' interests

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31 December 2013 are as follows:-

	Number of ordinary shares of RM0.10 each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
The Company Willowglen MSC Berhad				
Direct interest in shares				
Wong Ah Chiew	1,500,000	-	-	1,500,000
Indirect interest in shares				
Wong Ah Chiew*	128,336,537	-	(51,769,974)	76,566,563
Simon Wong Chu Keong**	-	75,130,263	-	75,130,263

* Indirect interest held through New Advent Sdn. Bhd., Elegant Preference Sdn. Bhd., Jian Qi Holdings Sdn. Bhd., his spouse and son.

** Indirect interest held through New Advent Sdn. Bhd.

By virtue of their interests in the shares of the Company, Wong Ah Chiew and Simon Wong Chu Keong are also deemed interested in the shares of the subsidiaries to the extent that is has an interest in the Company.

Other than as disclosed above, none of the other directors in office at the end of the financial year held any interest in the shares of the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors or a full time employee of the Company or of related corporations as shown in Note 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than certain directors who have significant financial interests in companies which traded with companies in Group in the ordinary course of business, as disclosed in Note 31 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Significant events during the financial year

Significant events that occurred during the financial year are disclosed in Note 36 to the financial statements.

Significant event subsequent to the financial year

Significant event that occurred subsequent to the financial year is disclosed in Note 37 to the financial statements.

Directors' Report (cont'd)

Auditors

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

WONG AH CHIEW
Director

SIMON WONG CHU KEONG
Director

Kuala Lumpur
Date : 10 March 2014

Statements of Financial Position

As at 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Non-current assets					
Property, plant and equipment	5	7,131	5,193	209	180
Investment properties	6	1,650	2,000	-	-
Investment in subsidiaries	7	-	-	18,844	17,502
Investment securities	8	-	2,459	-	-
Deferred tax assets	9	175	78	-	-
Total non-current assets		8,956	9,730	19,053	17,682
Current assets					
Inventories	10	1,472	1,249	693	476
Amount due from contract customers	11	28,580	25,940	144	96
Trade receivables	12	21,256	14,656	611	893
Other receivables, deposits and prepayments	13	1,149	1,969	62	60
Amount due from subsidiaries	14	-	-	7,365	8,690
Tax recoverable		108	32	56	-
Cash and bank balances	15	43,018	30,675	11,792	13,311
Total current assets		95,583	74,521	20,723	23,526
Total assets		104,539	84,251	39,776	41,208

Statements of Financial Position (cont'd)

As at 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	16	24,800	24,800	24,800	24,800
Treasury shares	17	(1,653)	(1,653)	(1,653)	(1,653)
Reserves	18	62,720	49,154	15,956	17,413
Total equity attributable to owners of the parent					
		85,867	72,301	39,103	40,560
Non-controlling interest		300	31	-	-
Total equity					
		86,167	72,332	39,103	40,560
Non-current liabilities					
Employee benefits	19	52	35	-	-
Provisions	20	78	75	-	-
Deferred tax liabilities	9	199	130	-	-
Total non-current liabilities					
		329	240	-	-
Current liabilities					
Amount due to contract customers	11	7,873	3,134	82	144
Amount due to a subsidiary	14	-	-	-	351
Provisions	20	37	145	-	-
Trade payables	21	4,542	4,306	304	66
Other payables and accruals	22	1,751	1,247	287	87
Tax payable		3,840	2,847	-	-
Total current liabilities					
		18,043	11,679	673	648
Total liabilities					
		18,372	11,919	673	648
Total equity and liabilities					
		104,539	84,251	39,776	41,208

The accompanying notes form an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations					
Revenue	23	102,611	83,427	6,982	4,347
Cost of sales		(65,844)	(54,412)	(3,863)	(1,686)
Gross profit		36,767	29,015	3,119	2,661
Other operating income		1,626	927	6,959	7,471
Administrative expenses		(15,281)	(11,730)	(4,234)	(2,381)
Operating profit	24	23,112	18,212	5,844	7,751
Finance costs	25	-	(18)	-	(5)
Profit before tax		23,112	18,194	5,844	7,746
Income tax expense	26	(3,821)	(2,963)	1	(71)
Profit net of tax		19,291	15,231	5,845	7,675
Other comprehensive income for the financial year, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Net (loss)/gain on fair value changes on available for sale financial asset		(159)	47	-	-
Available for sale financial asset - reclassified to profit or loss		(97)	-	-	-
Foreign currency translation		1,761	881	-	-
		1,505	928	-	-
Total comprehensive income for the financial year		20,796	16,159	5,845	7,675

Statements of Profit or Loss and Other Comprehensive Income (cont'd)

For the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit attributable to:					
Owners of the parent		19,359	15,376	5,845	7,675
Non-controlling interest		(68)	(145)	-	-
		19,291	15,231	5,845	7,675
Total comprehensive income attributable to:					
Owners of the parent		20,868	16,317	5,845	7,675
Non-controlling interest		(72)	(158)	-	-
		20,796	16,159	5,845	7,675
Earnings per ordinary share attributable to owners of the parent (sen)					
- basic	27	7.95	6.32		
- diluted	27	7.95	6.32		

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2013

Group	←		Attributable to Owners of the Parent				→		Total Equity RM'000	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Share	Merger Deficit RM'000	Foreign Currency Translation Reserve RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000		Total RM'000
At 1 January 2013	24,800	(1,653)	4,440	(7,585)	3,378	256	48,665	72,301	31	72,332
Available for sale financial asset:-	-	-	-	-	-	(159)	-	(159)	-	(159)
- net gain on fair value changes	-	-	-	-	-	(97)	-	(97)	-	(97)
- reclassified to profit or loss	-	-	-	-	1,765	-	-	1,765	(4)	1,761
Foreign currency translation	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income for the financial year, net of tax	-	-	-	-	1,765	(256)	-	1,509	(4)	1,505
Profit/(loss) net of tax	-	-	-	-	-	-	19,359	19,359	(68)	19,291
Total comprehensive income for the financial year	-	-	-	-	1,765	(256)	19,359	20,868	(72)	20,796
Transactions with owners	-	-	-	-	-	-	-	-	341	341
Arising from increase in share capital in subsidiary	-	-	-	-	-	-	-	-	-	-
Dividends (Note 28)	-	-	-	-	-	-	(7,302)	(7,302)	-	(7,302)
Total transactions with owners	-	-	-	-	-	-	(7,302)	(7,302)	341	(7,302)
At 31 December 2013	24,800	(1,653)	4,440	(7,585)	5,143	-	60,722	85,867	300	86,167

Statements of Changes in Equity (cont'd)

For the financial year ended 31 December 2013

Group	←		Attributable to Owners of the Parent				→		Total Equity RM'000	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Deficit RM'000	Foreign Currency Translation Reserve RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000	Total RM'000		
At 1 January 2012	24,800	(1,653)	4,440	(7,585)	2,484	209	39,374	62,069	189	62,258
Net gain on fair value changes on available for sale financial asset	-	-	-	-	-	47	-	47	-	47
Foreign currency translation	-	-	-	-	894	-	-	894	(13)	881
Total other comprehensive income for the financial year, net of tax	-	-	-	-	894	47	-	941	(13)	928
Profit/(loss) net of tax	-	-	-	-	-	-	15,376	15,376	(145)	15,231
Total comprehensive income for the financial year	-	-	-	-	894	47	15,376	16,317	(158)	16,159
Transactions with owners										
Dividends (Note 28)	-	-	-	-	-	-	(6,085)	(6,085)	-	(6,085)
Total transactions with owners	-	-	-	-	-	-	(6,085)	(6,085)	-	(6,085)
At 31 December 2012	24,800	(1,653)	4,440	(7,585)	3,378	256	48,665	72,301	31	72,332

Company	← Non-Distributable →			Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2013	24,800	(1,653)	4,440	12,973	40,560
Profit net of tax and total comprehensive income for the financial year	-	-	-	5,845	5,845
Transactions with owners					
Dividends (Note 28)	-	-	-	(7,302)	(7,302)
Total transactions with owners	-	-	-	(7,302)	(7,302)
At 31 December 2013	24,800	(1,653)	4,440	11,516	39,103
At 1 January 2012	24,800	(1,653)	4,440	11,383	38,970
Profit net of tax and total comprehensive income for the financial year	-	-	-	7,675	7,675
Transactions with owners					
Dividends (Note 28)	-	-	-	(6,085)	(6,085)
Total transactions with owners	-	-	-	(6,085)	(6,085)
At 31 December 2012	24,800	(1,653)	4,440	12,973	40,560

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating activities				
Profit before tax	23,112	18,194	5,844	7,746
Adjustments for:-				
Allowances for inventories obsolescence	-	24	-	-
Bad debts written-off	-	2	-	-
Depreciation of property, plant and equipment	754	650	60	52
Dividend income	-	-	(6,254)	(7,007)
Gain on disposal on property, plant and equipment	-	(210)	-	-
Fair value gain on investment property	(650)	-	-	-
Gain on derecognition of investment securities	(97)	-	-	-
Goodwill written-off	47	-	-	-
Interest income	(460)	(568)	(409)	(465)
Property, plant and equipment written-off	3	14	-	-
Reversal of write down of inventories	(8)	(2)	(8)	-
Unrealised (gain)/loss on foreign exchange	(255)	17	(251)	-
Operating cash flows before changes in working capital	22,446	18,121	(1,018)	326
Changes in working capital:				
Net changes in employee benefit and provision	(88)	71	-	-
Net changes in inventories	(215)	10	(209)	117
Net changes in contract customers	2,099	(11,080)	(110)	127
Net changes in receivables	(5,780)	(6,591)	280	(894)
Net changes in payables	1,081	2,277	438	66
Net changes in inter-company balances	-	-	974	(2,072)
Cash flows from/(used in) operations carried forward	19,543	2,808	355	(2,330)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from/(used in) operations brought forward	19,543	2,808	355	(2,330)
Interest received	460	568	409	465
Tax paid	(2,932)	(1,788)	(55)	(2)
Net cash flows from/(used in) operating activities	17,071	1,588	709	(1,867)
Investing activities:				
Purchase of property, plant and equipment	(1,654)	(1,005)	(89)	(31)
Dividend received	-	-	6,254	7,007
Investment in subsidiaries	-	-	(1,342)	(1,252)
Net change in amount due from a subsidiary	-	-	-	(370)
Proceeds from disposal of investment securities	2,300	-	-	-
Proceeds from disposal of property, plant and equipment	-	210	-	-
Net cash flows from/(used in) investing activities	646	(795)	4,823	5,354
Financing activities:				
Dividends paid	(7,302)	(6,085)	(7,302)	(6,085)
Fixed term deposits held as security value	(43)	(66)	(33)	(24)
Net cash flows used in financing activities	(7,345)	(6,151)	(7,335)	(6,109)
Net change in cash and cash equivalents carried forward	10,372	(5,358)	(1,803)	(2,622)

Statements of Cash Flows (cont'd)

For the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net change in cash and cash equivalents brought forward		10,372	(5,358)	(1,803)	(2,622)
Effect of exchange rate changes on cash and cash equivalents		1,928	848	251	-
Cash and cash equivalents at the beginning of the financial year		28,593	33,103	12,174	14,796
Cash and cash equivalents at the end of the financial year		40,893	28,593	10,622	12,174
Analysis of cash and cash equivalents:					
Fixed deposits placed with licensed banks		29,321	16,114	9,379	9,899
Short term investment		2,232	3,025	2,232	3,025
Cash at banks and on hand		11,465	11,536	181	387
	15	43,018	30,675	11,792	13,311
Less: Fixed deposits held as security value		(2,125)	(2,082)	(1,170)	(1,137)
		40,893	28,593	10,622	12,174

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

The Company is principally engaged in the research, development and supply of computer-based control systems. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at No.17, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

The principal place of business of the Company is located at No. 17, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2014.

2. Summary of significant accounting policies

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3 to the financial statements

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
-----------	---

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
----------	--

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that “an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee”. It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 3(a). The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity’s interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is 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. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (continued)

MFRS 119 Employee Benefits (Revised)

MFRS 119 (Revised) eliminates the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The Group adopted MFRS 119 (Revised) in the current financial year. The adoption of MFRS 119 (Revised) has no significant impact to the financial statements of the Group.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'.

The above amendments affect presentation only and have no impact on the Group's financial position or performance.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to MFRS 116 Property, Plant and Equipment

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS 10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 Business Combinations and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and the Company.

Amendment to MFRS 132 Financial Instruments: Presentation

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

Amendment to MFRS 134 Interim Financial Reporting

To be consistent with the requirements in MFRS 8 *Operating Segments*, the amendment to MFRS 134 clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board (“MASB”) as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (continued)

	Effective for financial periods beginning on or after
New MFRS	
MFRS 9 Financial Instruments	To be announced by MASB
Amendments/Improvements to MFRSs	
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2 Share-based Payment	1 July 2014
MFRS 3 Business Combinations	1 July 2014
MFRS 7 Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8 Operating Segments	1 July 2014
MFRS 9 Financial Instruments	To be announced by MASB
MFRS 10 Consolidated Financial Statements	1 January 2014
MFRS 12 Disclosure of Interests in Other Entities	1 January 2014
MFRS 13 Fair Value Measurement	1 July 2014
MFRS 116 Property, Plant and Equipment	1 July 2014
MFRS 119 Employee Benefits	1 July 2014
MFRS 124 Related Party Disclosures	1 July 2014
MFRS 127 Separate Financial Statements	1 January 2014
MFRS 132 Financial Instruments: Presentation	1 January 2014
MFRS 136 Impairment of Assets	1 January 2014
MFRS 138 Intangible Assets	1 July 2014
MFRS 139 Financial Instruments: Recognition and Measurement	1 January 2014
MFRS 139 Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140 Investment Property	1 July 2014
New IC Int	
IC Int 21 Levies	1 January 2014

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. The Group and the Company do not anticipate that the application of the above new, revised, amendments/improvements to accounting standards and IC Int when they are effective will have a material impact on the financial position and the financial performance of the Group and of the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and they are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments, an entity is now allowed to change the accounting for liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in profit or loss. The Amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

The Amendments also remove the mandatory effective date from MFRS 9.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (continued)

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements

Amendments to MFRS 10 introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarifies that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS 139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation*.

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

Amendments to MFRS 116 and MFRS 138 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

Notes to the Financial Statements (cont'd)

2. Summary of significant accounting policies (continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (continued)

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

IC Int 21 Levies

IC Int 21 addresses the accounting for a liability to pay a government levy (other than income taxes and fine or other penalties that imposed for breaches of the legislation) if that liability is within the scope of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payment of the levy, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is recognised progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specific minimum threshold is reached.

3. Significant accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:-

(a) Basis of Consolidation

i. Subsidiaries

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

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group 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. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power an investee when, despite not having the majority of voting rights, it has the current liability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investment 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 sales. The cost of investments include transaction costs.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

ii. Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which 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 exercise 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 acquire 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 combinations are expensed as incurred.

Acquisitions of subsidiaries are accounted for using the purchase method except for certain business combinations which were accounted using the merger method as subsidiaries that were consolidated prior to 1 January 2006 in accordance with FRS 122₂₀₀₄ Business Combinations, the generally accepted accounting principles prevailing at that time. The Group has taken advantage of the exemption provided by MFRS 3 to apply this Standard prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with this Standard.

Notes to the Financial Statements (cont'd)

3. Significant accounting policies (continued)

(a) Basis of Consolidation (continued)

iii. Acquisitions of non-controlling interests

The Group treats all changes in ownerships interest in 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 interest and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v. Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures 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) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

Depreciation of property, plant and equipment is provide on the straight line basis to write off the cost of each asset to its residual value over their estimated useful lives, at the following principal annual rates:-

Buildings	2%
Computers	20% - 33 1/3%
Furniture and fittings	10% - 20%
Motor vehicles	12 1/2% - 20%
Office equipment	10% - 25%
Renovation	10% - 50%

The long term leasehold lands are amortised on a straight line basis over the lease term.

The residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each financial year end to ensure that the amounts, method and period of depreciation are consistent with previous estimates.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(c) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both and are not substantially occupied by the Group. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects the market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the retirements or disposals of investment properties are recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 3(b) to the financial statements up to the date of change in use.

Notes to the Financial Statements (cont'd)

3. Significant accounting policies (continued)

(d) Impairment

i. Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments 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 the 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 and recognised 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 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 is not reversed through the profit or loss.

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 the profit or loss.

ii. Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. 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 risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

(e) Inventories

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

Cost is determined using the weighted average method. The cost of inventories comprises cost of purchase and incidental costs in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(f) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial 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 at fair value through profit or loss. The host contract, the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

The Group and the Company categorise the financial instruments as follows:

i. Financial Assets

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in statement of comprehensive income.

Notes to the Financial Statements (cont'd)

3. Significant accounting policies (continued)

(f) Financial Instruments (continued)

i. Financial Assets (continued)

Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-Sale Financial Assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

ii. 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 comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss 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 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.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, 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 asset 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 is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

(g) Provisions

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Notes to the Financial Statements (cont'd)

3. Significant accounting policies (continued)

(h) Amounts Due From/To Contract Customers

Contract works are stated at cost plus attributable profit less progress billings. Cost comprises direct labour, material costs, sub-contract sum and an allocated proportion of directly related overheads. Administrative and general expenses are charged to profit or loss as and when incurred.

When the outcome of a contract works can be reliably estimated, contract revenue is recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

When the outcome of a contract works cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

When costs incurred on contracts works plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from contract customers. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to contract customers.

(i) Ordinary Shares

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(j) Treasury Shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised directly in equity and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(k) Foreign Currencies

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional currency and presentation currency.

i. Foreign Currency Transaction

Transactions in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the profit or loss.

Non-monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii. Financial Statement of Foreign Operation

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than Ringgit Malaysia are translated at the exchange rate ruling at the reporting date. Income and expenses items are translated at exchange rate approximately those ruling on transactions dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the cumulative exchange translation reserves relating to that foreign operation are recognised in the profit or loss as part of the gain or loss on disposal.

(I) Revenue**i. Contract Works**

Revenue from long-term contract works is recognised by using the stage of completion method where the outcome of the contracts can be reliably estimated as described in Note 3(h) to the financial statements. Revenue from short term contract works is recognised on the completion method.

ii. Provision of Maintenance Services

Revenue from provision of maintenance services is recognised in the profit or loss upon services rendered and customer's acceptance.

iii. Rental and Interest Income

Rental and interest income are recognised on an accrual basis.

iv. Dividend Income

Dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements (cont'd)

3. Significant accounting policies (continued)

(m) Income Taxes

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax expense is the expected tax amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous year.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unutilised tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unutilised tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(c), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of 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.

(n) Borrowing Costs

Borrowing costs are charged to profit or loss as an expense in the period in which they are incurred.

(o) Employee Benefits

i. Short Term Employee Benefits

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

ii. Post-Employment Benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

iii. Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

iv. Defined Benefit Plan

The Group's operate an unfunded defined benefit plan for settlement of labour dismissal and the stipulation of severance pay, gratuity and compensation in accordance with Indonesia Employment Law No. 13 dated 25 March 2003.

In accordance with MFRS 119 (2011), *Employee Benefits*, the Group has adopted its accounting policy in respect of the basis for determining the income or expense relating to its post employment defined benefit plans.

(p) Leases

i. Finance Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

ii. Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases except for leasehold land classified as investment property. Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

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

Notes to the Financial Statements (cont'd)

3. Significant accounting policies (continued)

(q) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(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. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Cash and Cash Equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts and deposits pledged to the financial institution.

(t) Fair Value Measurements

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that 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 assets in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

4. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

4.1 Judgements Made in Applying Accounting Policies

In the process of applying the Group's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Leases

The Group judged that the leasehold land of the Group are in substance finance leases and has classified its leasehold land as property, plant and equipment.

4.2 Key Sources of Estimation Uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

i. Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

ii. Impairment of Investment in Subsidiaries

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. The impairment made on investments in subsidiaries entails an allowance for doubtful debts to be made to the amount due from these subsidiaries.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries.

Notes to the Financial Statements (cont'd)

4. Significant accounting estimates and judgements (continued)

4.2 Key Sources of Estimation Uncertainty (continued)

iii. Impairment of Non-Current Assets

The Group reviews the carrying amount of its non-current assets, which include property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

iv. Deferred Tax Assets

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

v. Deferred Tax on Investment Property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment property, the directors have determined that the presumption that the carrying amounts of investment property measured using the fair value model are recovered entirely through sale is not rebutted.

vi. Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

vii. Allowance for Impairment of Receivables

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

viii. Contracts Work in Progress

The Group recognises contract revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

Any variation to the final contract sum and the estimated cost to completion will have a corresponding effect on the contract profit or loss.

ix. Revaluation of Investment Properties

The Group carries its investment properties at fair values, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine the fair value of investment property as at 31 December 2013. The valuer used a valuation technique based on open market value basis.

x. Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

xi. Provisions

The Group measures the provision for reinstatement costs of leased premises to its original state with reference to the terms and conditions of the respective tenancy agreements, and the expected date of reinstatement.

The calculation of provision for reinstatement costs requires management to estimate the expected future cash outflows as a result of site restoration, and a suitable pre-tax discount rate that reflects current market assessments of the time value of money in order to calculate the present value of those future cash outflows.

Due to the long term nature of such a provision, such estimates are subjected to significant uncertainty.

The Group has made assumptions in relation to provision for future warranty claims based on historical experience and recent trend analysis.

xii. Defined Benefit Plan

The cost of defined benefit plan as well as the present value of the unfunded obligation is determined based on assumptions about discount rate, salary incremental rate and pension retirement age. All assumptions are reviewed at each reporting date.

Group 2012	Furniture and Fittings				Office Equipment	Motor Vehicles	Computers	Renovation	Buildings	Long term Leasehold Lands	Total
	RM'000	RM'000	RM'000	RM'000							
Cost											
At 1 January 2012	693	1,021	1,109	3,604	1,172	1,354	10,669				
Additions	29	68	665	231	12	-	1,005				
Disposals/write-offs	(7)	-	(426)	(76)	-	-	(509)				
Exchange differences	12	12	16	45	11	-	96				
At 31 December 2012	727	1,101	1,364	3,804	1,195	1,354	11,261				
Accumulated Depreciation											
At 1 January 2012	351	713	786	3,256	481	145	5,833				
Depreciation for the financial year	60	66	180	159	130	32	650				
Disposals/write-offs	(2)	-	(426)	(67)	-	-	(495)				
Exchange differences	6	11	17	42	4	-	80				
At 31 December 2012	415	790	557	3,390	615	177	6,068				
Carrying Amounts at 31 December 2012	312	311	807	414	580	1,177	5,193				

Notes to the Financial Statements (cont'd)

5. Property, plant and equipment (continued)

Company 2013	Furniture and Fittings RM'000	Office Equipment RM'000	Computers RM'000	Renovation RM'000	Total RM'000
Cost					
At 1 January 2013	54	55	1,277	128	1,514
Additions	2	3	84	-	89
At 31 December 2013	56	58	1,361	128	1,603
Accumulated Depreciation					
At 1 January 2013	53	41	1,187	53	1,334
Depreciation for the financial year	1	3	43	13	60
At 31 December 2013	54	44	1,230	66	1,394
Carrying Amounts at 31 December 2013	2	14	131	62	209
2012					
Cost					
At 1 January 2012	54	52	1,249	128	1,483
Additions	-	3	28	-	31
At 31 December 2012	54	55	1,277	128	1,514
Accumulated Depreciation					
At 1 January 2012	51	38	1,152	41	1,282
Depreciation for the financial year	2	3	35	12	52
At 31 December 2012	53	41	1,187	53	1,334
Carrying Amounts at 31 December 2012	1	14	90	75	180

6. Investment properties

	Group	
	2013 RM'000	2012 RM'000
At 1 January	2,000	2,000
Transfer to property, plant and equipment (Note 5)	(1,000)	-
	1,000	2,000
Net gain from fair value adjustment recognised in profit or loss (Note 24)	650	-
At 31 December	1,650	2,000

The investment properties are all held under long term leaseholds.

The rental income earned by the Group from its investment properties during the financial year is RM91,800/- (2012: RM114,700/-).

Investment properties are stated at fair value, which has been determined based on a valuation report as at 30 December 2013 using the open market value basis. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued.

(a) Fair value information

The fair value of investment properties are categorised as follows:

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 1 fair value:** Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.
- **Level 2 fair value:** Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair value of land has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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

Notes to the Financial Statements (cont'd)

6. Investment properties (continued)

(a) Fair value information (continued)

The fair value of investment properties of the Group are categorised as Level 2. The property is valued by an independent external valuers using comparison method of valuation. The comparison method entails comparison the subject property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to reflect the differences and arrive at the value of the subject property.

The significant input into this valuation approach is price per square meter of comparable properties.

7. Investment in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	18,844	17,502

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Group's Effective Ownership Interest		Principal Activities
		2013 %	2012 %	
Willowglen (Malaysia) Sdn. Bhd.	Malaysia	100	100	Sales, implementation and maintenance of computer-based control systems
Willowglen Technology Sdn. Bhd.	Malaysia	100	100	Sales, implementation and maintenance of integrated monitoring systems
Willowglen Services Pte. Ltd. +	Singapore	100	100	Design, supply, engineering, implementation and maintenance of computer-based control systems
PT Willowglen Indonesia +	Indonesia	50.08	50.08	Trading, hardware and software consulting services
WG Tech Sdn. Bhd.	Malaysia	100	-	Dormant

+ These companies are not audited by Baker Tilly Monteiro Heng

Acquisition of subsidiary – WG Tech Sdn. Bhd.

On 31 October 2013, the Company has acquired two (2) ordinary shares of RM1/- each representing the entire issued and paid-up share capital of WG Tech Sdn. Bhd. for a cash consideration of RM2/-. As a result of the acquisition, WG Tech Sdn. Bhd. is a wholly-owned subsidiary of the Company.

Goodwill

Goodwill arising as a result of the acquisition of WG Tech Sdn. Bhd. as follows:-

	Group 2013 RM'000
Identifiable assets acquired and liabilities assumed	
Cash on hand	-*
Other payables and accruals	(47)
<hr/>	
Total identifiable net liabilities	(47)
<hr/>	
Total consideration transferred	-*
Fair value of identifiable net liabilities	(47)
<hr/>	
Goodwill arising from acquisition	(47)
Less:	
Goodwill written-off (Note 24)	47
<hr/>	
	-

* representing RM2/-

8. Investment securities

	Group	
	2013 RM'000	2012 RM'000
Available-for-sale financial asset -debt securities		
At 1 January	2,459	2,412
Net (loss) / gain on fair value changes recognised in other comprehensive income	(159)	47
<hr/>		
Derecognition during the financial year	2,300 (2,300)	2,459 -
<hr/>		
At 31 December	-	2,459

Notes to the Financial Statements (cont'd)

9. Deferred taxation

The amount determined after appropriate offsetting, are as follows:

	Group	
	2013 RM'000	2012 RM'000
Deferred tax assets	175	78
Deferred tax liabilities	(199)	(130)
	(24)	(52)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority.

	Group	
	2013 RM'000	2012 RM'000
At 1 January	(52)	(88)
Recognised in profit or loss (Note 26)		
- property, plant and equipment	(149)	(13)
- tax losses	91	35
- investment property	33	-
- other items	53	14
	28	36
At 31 December	(24)	(52)

	Group	
	2013 RM'000	2012 RM'000
Deferred tax assets (before offsetting)		
Unutilised tax losses	165	74
Other items	45	126
Offsetting	(35)	(122)
Deferred tax assets (after offsetting)	175	78
Deferred tax liabilities (before offsetting)		
Investment property	(33)	-
Property, plant and equipment	(103)	(252)
Other items	(98)	-
Offsetting	35	122
Deferred tax liabilities (after offsetting)	(199)	(130)

Deferred tax assets have not been recognised for the following items:-

	Group / Company	
	2013	2012
	RM'000	RM'000
Unutilised tax losses	7,374	6,921
Deductible temporary difference	287	73
	7,661	6,994
Potential deferred tax assets not recognised	1,915	1,748

10. Inventories

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At Cost				
Consumables	1,472	1,249	693	476

In the previous financial year, the write down of inventories to their net realisable values for the Group was amounted to RM24,000/-.

The reversal of write down of inventories for the Group and the Company of RM8,511/- (2012: RM2,000/- and RM Nil) respectively were made during the financial year when the related inventories were sold above their carrying amounts.

Notes to the Financial Statements (cont'd)

11. Amount due from/(to) contract customers

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Aggregate costs incurred to date	96,013	66,670	1,018	959
Attributable profits	31,874	24,331	729	1,046
	127,887	91,001	1,747	2,005
Progress billings	(107,180)	(68,195)	(1,685)	(2,053)
	20,707	22,806	62	(48)
Amount due from contract customers	28,580	25,940	144	96
Amount due to contract customers	(7,873)	(3,134)	(82)	(144)
	20,707	22,806	62	(48)
Contract costs recognised as contract expense during the financial year	63,094	50,160	982	1,686
Contract revenue recognised as contract revenue during the financial year	91,526	71,744	1,568	4,347

12. Trade receivables

Included in trade receivables of the Group are retention sums totalling RM1,334,969/- (2012: RM1,043,716/-) relating to contract work-in-progress.

Trade receivables are non-interest bearing and the normal trade credit terms range from 30 days to 60 days (2012: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group and of the Company's trade receivables are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Neither past due nor impaired	16,395	8,911	485	841
1 to 30 days past due not impaired	2,724	3,308	126	27
31 to 60 days past due not impaired	1,124	1,599	-	-
61 to 90 days past due not impaired	293	361	-	25
More than 90 days past due not impaired	720	477	-	-
	4,861	5,745	126	52
	21,256	14,656	611	893

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature.

The classification of financial assets is as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	21,256	14,656	611	893
Other receivables (Note 13)	199	1,245	31	47
Deposits (Note 13)	378	422	10	8
Amount due from subsidiaries (Note 14)	-	-	7,365	8,690
Cash and bank balances (Note 15)	43,018	30,675	11,792	13,311
Total receivables	64,851	46,998	19,809	22,949

13. Other receivables, deposits and prepayments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables	199	1,245	31	47
Deposits	378	422	10	8
Prepayments	572	302	21	5
	1,149	1,969	62	60

14. Amount due from / (to) subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Amount due from subsidiaries		
Trade	2,479	5,167
Non-trade	4,886	3,523
	7,365	8,690

Notes to the Financial Statements (cont'd)

14. Amount due from (to) subsidiaries (continued)

The amount due from subsidiaries are unsecured, non-interest bearing and repayable on demand, except for amount due from certain subsidiaries which bears interest at the rate of 3.00% (2012: 2.3%) per annum on a monthly basis.

The amount due to a subsidiary is trade in nature, unsecured, non-interest bearing and are repayable on demand.

15. Cash and bank balances

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed deposits placed with licensed banks	29,321	16,114	9,379	9,899
Short term investment	2,232	3,025	2,232	3,025
Cash at banks and on hand	11,465	11,536	181	387
Cash and bank balances	43,018	30,675	11,792	13,311

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed and short term deposits and short term investment are made for varying periods of between one day to twelve months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective interest rates. The weighted average effective interest rates as at 31 December 2013 for the Group and the Company were 1.3% (2012:1.4% and 1.6%) respectively.

Fixed deposits placed with licensed banks of the Group and of the Company amounting to RM2,125,000/- and RM1,170,000/- (2012: RM2,082,000/- and RM1,137,000/-) respectively are pledged as securities for banking facilities granted to the Group.

16. Share capital

	Group and Company			
	2013		2012	
	Number of Shares Unit'000	RM'000	Number of Shares Unit'000	RM'000
Ordinary shares of RM0.10 each				
Authorised:				
At the beginning/end of the financial year	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
At the beginning/end of the financial year	248,000	24,800	248,000	24,800

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

As at 31 December 2013, of the total 248,000,000 (2012: 248,000,000) issued and fully paid ordinary shares of RM0.10 each, 4,593,400 (2012: 4,593,400) ordinary shares of RM0.10 each are currently held as treasury shares by the Company as disclosed in Note 17 to the financial statements. The number of outstanding shares on issue after the share buy-back is 243,406,600 (2012: 243,406,600) ordinary shares of RM0.10 each as at 31 December 2013

17. Treasury shares

	Group and Company			
	2013		2012	
	Number of Shares Unit'000	RM'000	Number of Shares Unit'000	RM'000
At 1 January / 31 December	4,593	1,653	4,593	1,653

During the financial year, the Company did not buy back any shares. As at 31 December 2013, of the total 248,000,000 issued and fully paid ordinary shares of RM0.10 each, 4,593,400 ordinary shares of RM0.10 each have been bought back and are currently held as treasury shares by the Company.

18. Reserves

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-distributable				
Share premium	4,440	4,440	4,440	4,440
Merger deficit	(7,585)	(7,585)	-	-
Foreign currency translation reserve	5,143	3,378	-	-
Fair value adjustment reserve	-	256	-	-
Distributable				
Retained earnings	60,722	48,665	11,516	12,973
	62,720	49,154	15,956	17,413

Share Premium

The share premium is arrived at after accounting for the premium received over the nominal value of shares issued to the public, less the subsequent capitalisation for bonus issue of the Company, if any.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Retained earnings

As at 31 December 2013, the Company may distribute the entire balance of retained profits under single tier system.

Notes to the Financial Statements (cont'd)

19. Employee benefits

The Group operates unfunded defined benefit plan for some of its employees.

The total amount recognised in the statements of financial position is as follows:

	Group	
	2013	2012
	RM'000	RM'000
Present value of unfunded obligation	52	35

The movement in the present value of defined benefit obligation is as follows:

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	35	10
Current service costs recognised in profit or loss (Note 24)	17	25
At 31 December	52	35

The principal actuarial assumptions used are as follows:

	Group	
	2013	2012
Discount rate	8%	8%
Salary incremental rate	10%	5%
Pension retirement age	55	55

20. Provisions

	Maintenance Warranties RM'000	Group Reinstatement Costs RM'000	Total RM'000
At 1 January 2013	145	75	220
Utilised / Reversed	(108)	-	(108)
Exchange differences	-	3	3
At 31 December 2013	37	78	115
At 31 December 2013			
Current	37	-	37
Non-current	-	78	78
	37	78	115
At 1 January 2012	102	72	174
Arose during the financial year	43	-	43
Exchange differences	-	3	3
At 31 December 2012	145	75	220
At 31 December 2012			
Current	145	-	145
Non-current	-	75	75
	145	75	220

Maintenance warranties

A provision is recognised for expected warranty claims on certain projects completed in prior years, based on the project engineers' past experience of the Group.

Reinstatement costs

Provision for reinstatement costs is the estimated costs of dismantlement, removal and restoration of plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of plant and equipment as disclosed in Note 5 to the financial statements.

Notes to the Financial Statements (cont'd)

21. Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 days to 60 days (2012: 30 days to 60 days).

The classification of financial liabilities is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables	4,542	4,306	304	66
Other payables and accruals (Note 22)	1,751	1,247	287	87
Amount due to a subsidiary (Note 14)	-	-	-	351
Total financial liabilities carried at amortised cost	6,293	5,553	591	504

22. Other payables and accruals

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	45	68	6	2
Accruals	1,706	1,179	281	85
	1,751	1,247	287	87

Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (2012: 30 days to 60 days).

23. Revenue

Revenue comprises mainly income from supply of computer-based control systems and provision of the related installation and maintenance services.

24. Operating profit

Operating profit has been arrived at after charging:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
After charging:				
Allowances for inventories obsolescence	-	24	-	-
Audit fee				
- current year	106	100	28	28
- prior year	(2)	-	(2)	-
Bad debts written-off	-	2	-	-
Depreciation of property, plant and equipment	754	650	60	52
Directors' remunerations:-				
- fees	90	75	90	75
- salaries, allowances, gratuity and bonuses	2,430	1,036	1,453	422
- contribution to defined contribution plans	179	59	145	23
Goodwill written-off	47	-	-	-
Loss on foreign exchange				
- realised	3	94	3	68
- unrealised	1	17	-	-
Property, plant and equipment written-off	3	14	-	-
Rental of offices	1,169	1,128	24	23
Rental of staff accomodation	34	36	-	-
Staff costs				
- salaries, wages, allowances and bonuses	20,090	17,147	2,189	2,092
- contribution to defined contribution plans	2,582	2,329	249	225
- expenses related to defined benefit plan	17	25	-	-
- Socso	43	36	18	15
And crediting:-				
Dividend income from subsidiary	-	-	6,254	7,007
Gain on disposal of property, plant and equipment	-	210	-	-
Interest income from				
- loan and receivables	460	394	409	465
- available-for-sale financial asset	-	174	-	-
Gain on foreign exchange				
- realised	100	2	36	2
- unrealised	256	-	251	-
Rental income from investment properties	92	115	-	-
Reversal of write down of inventories	8	2	8	-
Fair value gain on investment property	650	-	-	-

Included in interest income from loan and receivables of the Company is interest of RM170,232/- (2012: RM152,095/-) from amount due from subsidiaries.

Notes to the Financial Statements (cont'd)

25. Finance costs

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank guarantee commissions	-	18	-	5

26. Taxation

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense				
- current year	(3,861)	(3,019)	-	(71)
- prior years	12	20	1	-
	(3,849)	(2,999)	1	(71)
Deferred income tax (Note 9)				
- current year	28	36	-	-
	28	36	-	-
	(3,821)	(2,963)	1	(71)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiary of the Group was 17% for the financial year of assessment 2013 (2012: 17%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before income tax rate at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax	23,112	18,194	5,844	7,746
Tax at applicable tax rate of 25% (2012: 25%)	(5,778)	(4,549)	(1,461)	(1,937)
Tax effects arising from				
- non-deductible expenses	(120)	(69)	(36)	-
- non-taxable income	183	85	1,664	1,796
- different tax rate in other countries	1,782	1,355	-	-
- deferred tax assets not recognised in the financial statements	(167)	70	(167)	70
- tax exemption	188	64	-	-
- other items	79	61	-	-
- under accrual in prior years	12	20	1	-
Tax expense for the financial year	(3,821)	(2,963)	1	(71)

27. Earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to owners of the parent for the financial year of RM19,359,000/- (2012: RM15,376,000/-) by the weighted average number of ordinary shares in issue of 243,406,600 (2012: 243,406,600).

There are no diluted earnings per share as the Company does not have any dilutive potential ordinary shares.

28. Dividends

	Group and Company	
	2013 RM'000	2012 RM'000
Dividends paid		
First and final tax exempt dividend of 20% and a special tax exempt dividend of 5% per share	-	6,085
First and final tax exempt dividend of 20% and a special tax exempt dividend of 10% per share	7,302	-

At the forthcoming Annual General Meeting, a first and final tax exempt dividend of 20% per share in respect of the financial year ended 31 December 2013 will be proposed for shareholders' approval.

Notes to the Financial Statements (cont'd)

29. Operating leases commitments

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:-

	Group	
	2013	2012
	RM'000	RM'000
Not later than one year	675	1,117
Later than one year but not later than five years	-	651
	675	1,768

The disclosed commitments are based on existing rental rates. The lease agreements provide for periodic revision of such rates in future.

The office lease agreement provides the Group with an option to renew for a further term of two years from the date of expiry of the tenancy at a rental rate to be agreed based on the prevailing market rate.

30. Contingent liabilities

The Group and the Company are contingently liable for the following:-

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries	-	-	25,014	6,756
Performance bonds granted to customers	12,481	9,144	460	185
	12,481	9,144	25,474	6,941

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantees is nil.

31. Significant related party transactions

(a) Identification 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 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 or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationships with its subsidiaries.

Related Parties	Nature of Relationship
New Advent Sdn. Bhd. ("NASB")	Wong Ah Chiew ("WAC") and Simon Wong Chu Keong ("SWCK") are directors and major shareholders of the Company.
OSK Holdings Berhad ("OSK") and its subsidiaries ("OSK Group")	Ong Leong Huat @ Wong Joo Hua ("OLH"), a director and major shareholder of OSK, is the spouse of Khor Chai Moi ("KCM") and brother of WAC. Wong Chong Kim ("WCK"), a director of OSK is the brother of OLH and WAC. SWCK is the son of WAC and nephew of OLH and WCK.
OSK Property Holdings Berhad ("OSKP") and its subsidiaries ("OSKP Group")	OLH, a director and major shareholder of OSKP while WCK, Ong Yee Ching ("OYC") and Ong Ju Xing ("OJX") are directors and shareholders of OSKP. OYC and OJX are deemed connected person as they are children of OLH.
PJ Development Holdings Berhad ("PJD") and its subsidiaries ("PJD Group")	Ong Leong Huat @ Wong Joo Hwa ("OLH") is a Non Independent Non Executive Chairman and major shareholders of PJD. KCM is a director and major shareholders of PJD. KCM is the spouse of OLH and sister in law of WAC. Wong Chong Shee ("WCS") and Ong Ju Xing ("OJX") are also directors of PJD. KCM and OJX are deemed connected person as they are spouse and children of OLH.

Notes to the Financial Statements (cont'd)

31. Significant related party transactions (continued)

(b) Significant Related Party Transactions

i) Significant transactions with subsidiaries during the financial year are as follows:

	Company	
	2013 RM'000	2012 RM'000
Sale of products to subsidiaries	4,337	2,578
Interest income from subsidiaries	170	152
Technical advisory fees charged to subsidiaries	845	750
Management fees charged to a subsidiary	240	-
Purchase of products from a subsidiary	2,886	725
Payment of expenses on behalf of subsidiaries	1,285	2,353

ii) Significant transactions with related parties during the financial year are as follows:

	Group	
	2013 RM'000	2012 RM'000
Income		
Revenue from		
- PJD Group	624	30
- OSK Group	25	37
- OSKP Group	172	-
Rental income from		
- PJD Group	84	84

(c) Compensation of Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The remuneration of the key management personnel during the financial year are as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors				
Fees	90	75	90	75
Salaries, bonuses, gratuity and allowances	2,430	1,036	1,453	422
Contribution to defined contribution plans	179	59	145	23
	2,699	1,170	1,688	520
Other Key Management Personnel				
Salaries, bonuses and allowances	2,538	2,142	654	451
Contribution to defined contribution plans	220	204	69	54
	2,758	2,346	723	505
	5,457	3,516	2,411	1,025

32. Operating segments

General Information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the geographical areas of the Group. The Group's operating segments are as follows:

Malaysia : research, development, sales, implementation and maintenance of computer-based control systems, integrated monitoring systems and dormant.

Singapore : design, supply, engineering, implementation and maintenance of computer-based control systems.

Indonesia : trading, hardware and software consulting services.

Measurement of Reportable Segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Transactions between reportable segments are measured on an arm's length basis in a manner similar to transactions with third parties.

Segment profit or loss is measured based on segment profit before tax that are reviewed by the Group's chief operating decision maker. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss.

The total of segment asset is measured based on all assets of a segment other than current and deferred tax assets.

The total of segment liability is measured based on all liabilities of a segment other than current and deferred tax liabilities.

Notes to the Financial Statements (cont'd)

32. Operating segments (continued)

Geographical Information

Revenue and non-current assets information on the basis of geographical segments information are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Major Customers

Major customers' information is revenues from transactions with a single external customer amount to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer.

2013	Malaysia RM'000	Singapore RM'000	Europe RM'000	Indonesia RM'000	Inter- Segment Elimination RM'000	Total RM'000
Revenue:						
External customers	17,592	84,717	-	302	-	102,611
Inter-segment	5,661	2,886	-	-	(8,547)	-
Total revenue	23,253	87,603	-	302	(8,547)	102,611
Results:						
Interest income	533	95	-	2	(170)	460
Interest expense	170	-	-	-	(170)	-
Fair value gain on investment property	650	-	-	-	-	650
Depreciation	351	391	-	12	-	754
Income tax expense	304	3,571	-	-	-	3,875
Income tax income	-	-	-	54	-	54
Other non-cash expenses	47	-	-	-	-	47
Segment profit/(loss)	7,493	22,300	-	(192)	(6,489)	23,112
Assets:						
Additions to non-current assets other than financial instruments and deferred tax assets	2,042	262	-	-	-	2,304
Segment assets	59,418	70,631	-	773	(26,566)	104,256
Segment liabilities	9,890	11,696	-	281	(7,534)	14,333
Geographical information:						
Revenue from sales to external customers by location of customers	16,363	84,717	1,229	302	-	102,611
Non-current assets	7,372	1,364	-	45	-	8,781
Major customers	-	35,312	-	-	-	35,312

2012	Malaysia RM'000	Singapore RM'000	Europe RM'000	Indonesia RM'000	Inter- Segment Elimination RM'000	Total RM'000
Revenue:						
External customers	14,754	68,640	-	33	-	83,427
Inter-segment	3,376	728	-	-	(4,104)	-
Total revenue	18,130	69,368	-	33	(4,104)	83,427
Results:						
Interest income	662	52	-	6	(152)	568
Interest expense	152	-	-	-	(152)	-
Depreciation	284	354	-	12	-	650
Income tax expense	326	2,679	-	-	-	3,005
Income tax income	-	-	-	42	-	42
Other non-cash expenses	57	-	-	-	-	57
Segment profit/(loss)	8,605	16,932	-	(336)	(7,007)	18,194
Assets:						
Additions to non-current assets other than financial instruments and deferred tax assets	106	887	-	12	-	1,005
Segment assets	61,006	49,478	-	203	(26,546)	84,141
Segment liabilities	12,050	5,695	-	218	(9,021)	8,942
Geographical information:						
Revenue from sales to external customers by location of customers	13,675	68,640	1,079	33	-	83,427
Non-current assets	5,684	1,442	-	67	-	7,193
Major customers	-	24,920	-	-	-	24,920

Notes to the Financial Statements (cont'd)

33. Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Financial assets (current)	
Trade receivables	12
Other receivables and deposits	13
Amount due from subsidiaries	14
Cash and bank balances	15
Financial liabilities (current)	
Trade payables	21
Other payables and accruals	22
Amount due to a subsidiary	14

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the reporting date.

34. Financial risk management objectives and policies

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, market risk and cash flow risk. The Group and the Company have adopted a financial risk management framework that manage and mitigate the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) 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 primarily from trade receivables and investment securities. The Company's exposure to credit risk arises principally from trade receivables, loan and advances to a subsidiary and financial guarantees given.

Trade receivables

Risk management objective, policies and processes for managing the risk

The management has a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount.

Exposure to credit risk

At the reporting date, the Group and the Company's maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

Credit risk concentration profile

The Group and the Company determines concentrations of credit risk by monitoring the country profile of their trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group				Company			
	2013		2012		2013		2012	
	RM'000	% of total	RM'000	% of total	RM'000	% of total	RM'000	% of total
By country:								
Malaysia	2,427	11.4%	1,640	11.2%	-	0%	-	0%
Singapore	17,975	84.6%	11,994	81.8%	-	0%	-	0%
Indonesia	103	0.5%	-	0.0%	-	0%	-	0%
Europe	710	3.3%	929	6.4%	611	100%	841	94%
Others	41	0.2%	93	0.6%	-	0%	52	6%
	21,256	100.0%	14,656	100.0%	611	100.0%	893	100.0%

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements. Deposits with banks and other financial institutions and investment securities are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 12 to the financial statements.

Investment securitiesRisk management objective, policies and processes for managing the risk

The Group minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the reporting date, the Group has only invested in domestic securities. The Group's 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.

Notes to the Financial Statements (cont'd)

34. Financial risk management objectives and policies (continued)

Inter company balances

Risk management objective, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries that bears interest rate at 3.0% (2012: 2.3%) per annum on a monthly basis. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk

At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

At the reporting date, there was no indication that the loans and advances to the subsidiaries are not recoverable.

Financial guarantees

Risk management objective, 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 performance of the subsidiaries to meet the expectation of their customers in accordance with the original terms of a contract in due course.

Exposure to credit risk

The maximum exposure to credit risk is disclosed in Note 30 to the financial statements.

At the reporting date, there was no indication that the subsidiaries would fail to meet the terms as stated in the contract.

(ii) Liquidity Risk

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

Risk management objective, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents 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.

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
On demand or within 1 year				
Trade payables	4,542	4,306	304	66
Other payables and accruals	1,751	1,247	287	87
Amount due to a subsidiary	-	-	-	351
Total undiscounted financial liabilities	6,293	5,553	591	504

(iii) Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in interest rates.

Risk management objective, policies and processes for managing the risk

The Group and the Company manage the net exposure to interest rate risks by monitoring the exposure to such risks on an ongoing basis.

Exposure to interest rate risk

The Company's exposure to interest rate risk arises primarily from advances to subsidiaries and fixed deposits placed with licensed banks classified as cash and cash equivalents. The Group's exposure to interest rate risk arises primarily from short term investment and deposits placed with licensed banks, classified as cash and cash equivalents and fixed rate debt securities. The Group and the Company do not use derivative financial instruments to hedge their risk.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate instruments				
Financial assets	29,321	18,573	9,379	18,589
Floating rate instrument				
Financial asset	2,232	3,025	2,232	3,025

Financial instruments at fixed rates are fixed until the maturity of the instruments.

Notes to the Financial Statements (cont'd)

34. Financial risk management objectives and policies (continued)

(iii) Market Risk (continued)

Interest Rate Risk (continued)

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and therefore a change in interest rates at the reporting date would not affect the profit or loss.

Sensitivity analysis for floating rate instrument

A 1% increase in interest rate at the end of the reporting period would have increased the Group and Company's profit net of tax by RM16,740/-. A 1% decrease in interest rate would have had equal but opposite effect on the Group's profit net of tax.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Risk management objective, policies and processes for managing the risk

The Company and the Group manage the net exposure to foreign currency risks by monitoring the exposure to such risks on an ongoing basis.

Exposure to foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and cash and bank balances that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Great Britain Pound ("GBP"), Euro ("EURO") and Canadian Dollar ("CAD").

The Group's and the Company's exposure to foreign currency risks, based on carrying amounts at the reporting date are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial assets and liabilities not held in functional currency				
Trade receivables				
Euro	710	929	611	841
United States Dollar	41	93	-	52
	751	1,022	611	893
Cash and bank balances				
Singapore Dollar	18,507	6,902	7,168	6,902
	18,507	6,902	7,168	6,902
Trade payables				
Canadian Dollar	21	34	-	-
Euro	303	27	303	16
Great Britain Pound	-	14	-	-
United States Dollar	73	251	-	-
	397	326	303	16

Sensitivity analysis for foreign currency risk

Foreign currency risk arises from Group entities with Ringgit Malaysia ("RM") and Singapore Dollar ("SGD") functional currencies.

A 1% strengthening of the Euro, SGD and USD against the respective functional currencies of the Group entities would have increase/(decrease) profit net of tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
	Profit net of tax		Profit net of tax	
Euro/RM	4	9	9	8
SGD/RM	185	69	72	69
USD/RM	-	2	-	1
USD/SGD	-	3	-	-

Notes to the Financial Statements (cont'd)

34. Financial risk management objectives and policies (continued)

(iii) Market Risk (continued)

Foreign Currency Risk (continued)

A 1% weakening of Euro, SGD and USD against the respective functional currencies at the reporting date would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The exposure to currency risk of Group entities other than Euro and USD is not material and hence, sensitivity analysis is not presented.

(iv) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group does not have exposure to market price risk as at the reporting date.

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains 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 Group manages its capital structure by monitoring the capital and net debt, if any on an ongoing basis. To maintain the capital structure, the Group may adjust the dividend payment to shareholders.

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

The Group is required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

36. Significant events during the financial year

During the financial year, the following events had occurred:-

- (a) On 11 March 2013, the wholly owned subsidiary, Willowglen Technology Sdn. Bhd. has increased its issued and fully paid up share capital from RM10/- to RM1,000,000/- by the allotment of 999,990 ordinary shares of RM1/- each at par for cash.
- (b) On 31 October 2013, the Company has acquired two (2) ordinary shares of RM1/- each representing the entire issued and paid-up share capital of WG Tech Sdn. Bhd. for a cash consideration of RM2/-. As a result of the acquisition, WG Tech Sdn. Bhd. is a wholly owned subsidiary of the Company.
- (c) On 11 December 2013, the 50.08% owned subsidiary, PT Willowglen Indonesia has increased its issued and fully paid up share capital from IDR1,875,000,000/- to IDR4,375,000,000/- by the allotment of 2,500 ordinary shares of IDR1,000,000/- each at par for cash. The Company has subscribed for 50.08% of the increased in paid up share capital or 1,252 ordinary shares of IDR1,000,000/- each.

37. Significant event subsequent to the financial year

On 12 February 2014, the Company has acquired two hundred ten thousand (210,000) ordinary shares of RM1/- each representing 70% of the issued and paid-up share capital of Sentinel Systems Sdn. Bhd. for a cash consideration of RM1,400,000/-. As a result of the acquisition, Sentinel Systems Sdn. Bhd. is a 70% owned subsidiary of the Company.

Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained earnings of the Group and of the Company as at 31 December 2013 are as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings				
- Realised	59,409	48,385	11,265	12,971
- Unrealised	1,347	365	251	2
	60,756	48,750	11,516	12,973
Less : Consolidation adjustments	(34)	(85)	-	-
Total retained earnings as per statements of financial position	60,722	48,665	11,516	12,973

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Statement by Directors

We, **WONG AH CHIEW** and **SIMON WONG CHU KEONG** being two of the directors of Willowglen MSC Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 47 to 113 have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 114 to the financial statements have been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

WONG AH CHIEW
Director

SIMON WONG CHU KEONG
Director

Kuala Lumpur
Date: 10 March 2014

Statutory Declaration

I, **CHEW NYUK SEONG**, being the officer primarily responsible for the financial management of Willowglen MSC Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 113, and the supplementary information set out on page 114 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW NYUK SEONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 10 March 2014.

Before me,

YM Tengku Fariddudin
Bin Tengku Sulaiman (W533)
Commissioner for Oaths

Independent Auditors' Report To the Members of Willowglen MSC Berhad

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Willowglen MSC Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 113.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

Independent Auditors' Report To the Members of Willowglen MSC Berhad (cont'd)

(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements (continued)

- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ong Teng Yan
No. 3076/07/15 (J)
Chartered Accountant

Kuala Lumpur
Date: 10 March 2014

Additional Compliance Information

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

2. SHARE BUY-BACK

During the financial year, the Company did not buy back any shares. As at 31 December 2013, a total of 4,593,400 ordinary shares of RM0.10 each are held as treasury shares by the Company.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year.

5. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

6. VARIATION IN RESULTS

The Company did not issue any profit estimate, forecast or projection for the financial year.

There was no variance between the results for the financial year ended 31 December 2013 as per the audited financial statements and the unaudited results previously announced.

7. PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year.

8. MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries, involving the directors and major shareholders' interests during the financial year.

9. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group during the financial year by companies affiliated to the auditors is RM25,187.

10. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") OF A TRADING OR REVENUE NATURE

Further details of RRPTs of the Group conducted during the financial year ended 31 December 2013 are set out in the Notes to the Audited Financial Statements.

Properties

As at 31 December 2013

Description of Property	Existing Use	Age of Building (Years)	Land Area	Tenure	Date of Acquisition	Net Book Value/ Fair Value as at 31 December 2013 (RM)
Willowglen (Malaysia) Sdn. Bhd.						
Pajakan Negeri 17630, Lot No. 35063, Mukim Petaling, District and State of Wilayah Persekutuan, being one unit of 3-storey terrace shop office bearing the address of No. 1, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Shop office on 1 year lease/renewable office premise	21	123 sq.m.	93-years leasehold expiring on 19.02.2083	01.06.1999	1,650,000 (revalued on 30 December 2013)
Pajakan Negeri 17631, Lot No. 35064, Mukim Petaling, District and State of Wilayah Persekutuan, being one unit of 3-storey terrace shop office bearing the address of No. 3, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Operational office	21	123 sq.m.	93-years leasehold expiring on 19.02.2083	01.06.1999	983,606
Pajakan Negeri 17636, Lot No. 35069, Pajakan Negeri 17637, Lot No. 35070, Pajakan Negeri 17638, Lot No. 35071 and Pajakan Negeri 17639, Lot No. 35072, Mukim Petaling, District and State of Wilayah Persekutuan, being four units of 3-storey terrace shop offices bearing the address of No. 15 & 17, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Operational office	21	490 sq.m.	93-years leasehold expiring on 19.02.2083	30.04.2007	2,713,696

Shareholdings Statistics

As at 11 March 2014

Authorised Capital	:	RM100,000,000.00
Issued and Fully Paid-up Capital	:	RM24,800,000.00 (including 4,593,400 treasury shares)
Class of Shares	:	Ordinary shares of RM0.10 each fully paid
Voting Rights	:	One vote per RM0.10 share

Breakdown of Shareholdings

No. of Holders	Holdings	Total Holdings %
16	Less than 100	0.00
522	100 - 1,000	0.18
1,263	1,001 - 10,000	3.07
705	10,001 - 100,000	9.61
106	100,001 - 12,170,329 *	43.04
2	12,170,330 and above **	44.10
2,614	Total	100.00

Remark	-	*	Less than 5% of issued holdings
	-	**	5% and above of issued holdings

Substantial Shareholders

According to the register required to be kept under Section 69L of the Companies Act, 1965, the following are substantial shareholders of the Company:-

Substantial Shareholders	Direct Interest	No of Shares Held		%
		%	Indirect Interest	
New Advent Sdn Bhd	75,130,263	30.87	-	-
Wong Ah Chiew	1,500,000	0.62	76,566,563 ^o	31.46
Simon Wong Chu Keong	-	-	75,130,263 [□]	30.87
OSK Capital Partners Sdn Bhd	32,219,837	13.24	-	-
OSK Ventures International Berhad	-	-	42,519,837 [^]	17.47
OSK Equity Holdings Sdn Bhd	-	-	42,519,837 [*]	17.47
Ong Leong Huat @ Wong Joo Hwa	-	-	42,724,337 [∞]	17.55

Notes :

- ^o Deemed interested through his interest in New Advent Sdn Bhd, Elegant Preference Sdn Bhd, Jian Qi Holdings Sdn Bhd, his spouse and son
- [□] Deemed interested through his interest in New Advent Sdn Bhd
- [^] Deemed interested through OSK Venture Equities Sdn Bhd and OSK Capital Partners Sdn Bhd
- ^{*} Deemed interested through OSK Ventures International Berhad
- [∞] Deemed interested through OSK Ventures International Berhad and Land Management Sdn Bhd

Shareholdings Statistics (cont'd)

As at 11 March 2014

Directors' Shareholdings

Name of Directors	Direct Interest	No of Shares Held		
		%	Indirect Interest	%
Wong Ah Chiew	1,500,000	0.62	76,566,563*	31.46
Simon Wong Chu Keong	-	-	75,130,263#	30.87

* Deemed interested through his interest in New Advent Sdn Bhd, Elegant Preference Sdn Bhd, Jian Qi Holdings Sdn Bhd, his spouse and son

Deemed interested through his interest in New Advent Sdn Bhd

Other than the above, none of the other directors in office has any interest in shares in the Company as at 11 March 2014.

Thirty Largest Registered Shareholders as at 11 March 2014

No.	Name of Shareholders	No. of Shares	%
1	New Advent Sdn Bhd	75,130,263	30.87
2	OSK Capital Partners Sdn Bhd	32,219,837	13.24
3	Ling King Ling	12,056,970	4.95
4	Jasmin Villa Development Sdn Bhd	12,000,000	4.93
5	Paul Yii See Ying	11,018,000	4.53
6	OSK Venture Equities Sdn Bhd	10,300,000	4.23
7	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Boon Wee (8061725)	7,201,174	2.96
8	Eric Kok	6,000,000	2.47
9	Teh Boon Wee	4,468,700	1.84
10	Au Yiu Joo	3,809,700	1.57
11	Aco-Bina Sdn Bhd	3,626,605	1.49
12	Malta Corp. Sdn Bhd	2,500,000	1.03
13	Khor Chai Moi	1,786,600	0.73
14	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	1,600,193	0.66
15	Wong Ah Chiew	1,500,000	0.62
16	Lee Kok Hoong	1,310,000	0.54
17	HSBC Nominees (Asing) Sdn Bhd HSBC-FS I For Samsung Global Best Southeast Asia Equity Mother Fund	1,100,000	0.45
18	Chan Yan Ping	1,086,600	0.45
19	Chong Kim Poh	940,000	0.39
20	Chew Pick Hon	781,300	0.32
21	Siew Kim Man	700,000	0.29
22	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yee Kim Ee (CCTS)	697,100	0.29
23	Lim Kee Siku	654,800	0.27
24	Wong Chu Khee	654,200	0.27
25	Ng Soon Gan	635,000	0.26
26	Tee Bon Peng	601,800	0.25
27	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chai Beng (M02)	535,700	0.22
28	Leong Keng Yuen	500,000	0.21
29	Tan Lee Chin	468,325	0.19
30	Peh Teong Kee	456,400	0.19

Form of Proxy

No. of Shares Held

*I/We, _____
 *NRIC No./Passport No./Company No. _____
 of _____
 being a member of WILLOWGLEN MSC BERHAD hereby appoint _____

*NRIC No./Passport No. _____
 of _____

*and, or _____

*NRIC No./Passport No. _____
 of _____

or failing *him/her, the Chairman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur on Wednesday, 30 April 2014 at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	Declaration of a final dividend of 20% tax-exempt		
2.	Re-election of Wang Shi Tsang as Director		
3.	Re-election of Simon Wong Chu Keong as Director		
4.	Re-election of Au Chun Choong as Director		
5.	Approval of Directors' Fees		
6.	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		
8.	Re-appointment of Wang Shi Tsang as Independent Non-Executive Director		
9.	Re-appointment of Alfian Bin Tan Sri Mohamed Basir as Independent Non-Executive Director		
10.	Proposed Authorisation of Share Buy - Back		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain at his discretion.)

The proportion of *my/our holding to be represented by *my/our *proxy/proxies are as follows:

First Proxy _____ %
 Second Proxy _____ %
 Total 100%

Signed this _____ day of _____, 2014.

 *Signature / Common Seal of Shareholder

*Delete if not appropriate

Notes:

- In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 23 April 2014 ("General Meeting Record of Depositors") shall be entitled to attend the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.
- A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. When a member appoints more than one (1) proxy, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified. A proxy need not be a member of the Company.
- Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
- The instrument appointing a proxy or proxies shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation under its Common Seal or the hand of its attorney duly authorised.

fold this flap for sealing



fold here



affix stamp here

The Share Registrar
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

fold here



Questions from Shareholders

The Annual General Meeting ("AGM") of Willowglen MSC Berhad will be held on Wednesday, 30 April 2014 at 10.00 a.m. Shareholders are invited to register questions in advance of the AGM.

This form may be used to submit a written question to the auditors if the question is relevant to the content of the auditors' report or the conduct of the audit of the financial statements to be considered at the AGM.

In the course of the AGM we intend to respond to as many of the questions asked as is practicable.

Shareholder questions must be received by Friday, 18 April 2014. Please return the form to our registered office, No. 17, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur or by facsimile to 03-90571218.

Shareholder's Name

CDS Account No.

Question/s

Please tick if it is a question directed to the Auditors

1.

2.

3.

4.

fold this flap for sealing



fold here



affix stamp here

The Secretary
Willowglen MSC Berhad (Company No. 462648-V)
No. 17 Jalan 2/149B
Taman Sri Endah
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Malaysia

fold here



w w w . w i l l o w g l e n . c o m . m y

WILLOWGLEN MSC BERHAD (462648-V)

No. 17 Jalan 2/149B
Taman Sri Endah
Bandar Baru Sri Petaling
57000 Kuala Lumpur

Tel : (603) 9057 1228
Fax : (603) 9057 1218