

**WILLOWGLEN**

199801006521 (462648-V)

ANNUAL  
REPORT  
**2019**



# Table of **CONTENTS**

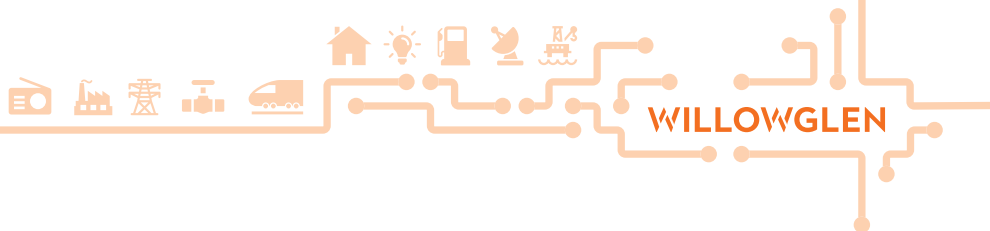
<b>02</b>	Notice of Annual General Meeting	<b>26</b>	Audit Committee Report
<b>09</b>	Statement Accompanying Notice of Annual General Meeting	<b>30</b>	Management Discussion and Analysis
<b>10</b>	Financial Highlights	<b>33</b>	Sustainability Statement
<b>12</b>	Corporate Information	<b>40</b>	Corporate Governance Overview Statement
<b>13</b>	Profile of Directors	<b>51</b>	Statement on Risk Management and Internal Control
<b>21</b>	Profile of Key Senior Management		

# Financial **STATEMENTS**

<b>55</b>	Directors' Report	<b>148</b>	Statutory Declaration
<b>62</b>	Statements of Financial Position	<b>149</b>	Independent Auditors' Report
<b>64</b>	Statements of Comprehensive Income	<b>154</b>	Additional Compliance Information
<b>66</b>	Statements of Changes in Equity	<b>155</b>	List of Properties
<b>69</b>	Statements of Cash Flows	<b>156</b>	Shareholdings Statistics
<b>72</b>	Notes to the Financial Statements		
<b>147</b>	Statement by Directors		

## **Form of Proxy**

## **Questions from Shareholders**



# Notice of **ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Twenty-Second Annual General Meeting ("AGM") of the Company will be held on a fully virtual basis at the Broadcast Venue: Board Room, No. 1, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Malaysia on Tuesday, 28 July 2020 at 10.00 a.m. for the following purposes:-

## **AGENDA**

### **As Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note i)**
2. To re-elect the following Directors who are due to retire in accordance with Clause 124 of the Company's Constitution and being eligible, have offered themselves for re-election:-
  - (a) Wang Shi Tsang **(Resolution 1)**
  - (b) Simon Wong Chu Keong **(Resolution 2)**
  - (c) Teh Chee Hoe **(Resolution 3)**
3. To approve the payment of Directors' fees of RM245,000.00 for the financial year ended 31 December 2019. **(Resolution 4)**
4. To approve the payment of Directors' benefits to the Independent Non-Executive Directors up to RM40,000.00 from a day after the Twenty-Second AGM until the next AGM of the Company in year 2021. **(Resolution 5)**
5. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **(Resolution 6)**

### **As Special Business**

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

6. **Ordinary Resolution**  
**Retention of Wang Shi Tsang As an Independent Non-Executive Director**

"THAT Wang Shi Tsang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance." **(Resolution 7)**

# Notice of **ANNUAL GENERAL MEETING (cont'd)**

7. **Ordinary Resolution**

**Retention of Alfian Bin Tan Sri Mohamed Basir As an Independent Non-Executive Director**

"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 twelve (12) years be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance." **(Resolution 8)**

8. **Ordinary Resolution**

**Authority To Issue Shares Pursuant To The Companies Act 2016**

"THAT subject always to the Companies Act 2016, the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Companies Act 2016, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 9)**

9. **Ordinary Resolution**

**Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions of A Revenue Or Trading Nature**

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("**Group**") 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 29 June 2020, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company.

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 a general meeting, the authority is renewed; or
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.



# Notice of **ANNUAL GENERAL MEETING (cont'd)**

AND THAT the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things including executing all such documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.” **(Resolution 10)**

10. **Ordinary Resolution**  
**Proposed Renewal of Share Buy-Back Authority**

“THAT subject to the compliance with Section 127 of the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia Securities”) and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities as the Directors may deem and expedient in the interest of the Company, provided that:

- (i) the aggregate number of ordinary shares to be purchased and/or held by the Company pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia Securities as at the point of purchase; and
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase.

THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities; and/or
- (iii) retain part thereof as treasury shares and cancel the remainder; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Malaysia Securities and any other relevant authority for the time being in force.

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

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

# Notice of ANNUAL GENERAL MEETING *(cont'd)*

(b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be authorised to give effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

**(Resolution 11)**

11. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

Chua Siew Chuan (SSM PC No. 201908002648)(MAICSA 0777689)

Tan Ley Theng (SSM PC No. 201908001685)(MAICSA 7030358)

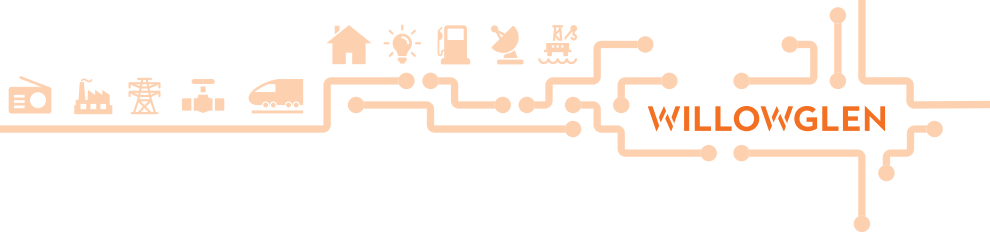
Company Secretaries

Kuala Lumpur

29 June 2020

Notes :

1. As no shareholders should be physically present at the broadcast venue, all shareholders are urged to attend the Meeting remotely using the Remote Participation and Voting ("RPV") facilities which are available on Securities Services e-Portal at <https://www.sshsb.net.my/login.aspx>. For further details and guidelines on RPV facilities, please refer to the Administrative Guide.
2. In respect of deposited securities, only a depositor whose name appears in the Record of Depositors as at 21 July 2020 ("**General Meeting Record of Depositors**") shall be eligible to participate the Meeting or appoint proxy(ies) to participate and/or vote in his/her stead.
3. A member entitled to participate and vote at the Annual General Meeting of the Company, shall be entitled to appoint more than one (1) proxy to participate, speak and vote in his stead. Where a member appoints more than one (1) proxy in relation to a meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.
4. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate, speak and vote at the Meeting shall have the same right as the member to participate, speak and vote at the Meeting.
5. The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, either under Common Seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 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 its holds.



# Notice of **ANNUAL GENERAL MEETING (cont'd)**

7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited to SS E Solutions Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or any adjournment thereof. All the resolutions set out in this Notice are to be voted by poll. The form of proxy can also be submitted electronically via Securities Services e-Portal at <https://www.sshsb.net.my/login.aspx> before the form of proxy submission cut-off time as mentioned above. For further information on the electronic submission of form of proxy, kindly refer to the Administrative Guide.

8. Explanatory Notes to Ordinary and Special Business

- i. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 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 5

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the directors and any benefits payable to the directors of a listed company shall be approved at a general meeting.

At the Twenty-First Annual General Meeting of the Company held on 2 May 2019, the Company had obtained the shareholders' approval for the payment of Directors' benefits to the Independent Non-Executive Directors up to RM32,000.00 from a day after the Twenty-First Annual General Meeting until the next Annual General Meeting of the Company in year 2020.

The proposed Ordinary Resolution 5, if passed, will authorise the payment of the Directors' benefits to the Independent Non-Executive Directors up to an amount of RM40,000.00 with effect from a day after the Twenty-Second Annual General Meeting of the Company until the next Annual General Meeting of the Company in year 2021 ("Period"). The Directors' benefits payable for the Period comprise the meeting allowance payable to the Independent Non-Executive Directors for attendance of Board and/or Board Committee meetings, whenever meetings are called during the Period.

- iii. Ordinary Resolution 7

**Retention of Wang Shi Tsang as an Independent Non-Executive Director**

Wang Shi Tsang was appointed as an Independent Non-Executive Director of the Company on 27 June 2002 and therefore, has served the Board for a cumulative term of more than twelve (12) years. The Board of Directors of the Company through the Nomination and Remuneration Committee, after having assessed the independence of Wang Shi Tsang, regards him to be independent based amongst others, the following justifications and recommends that Wang Shi Tsang be retained as an Independent Director of the Company subject to the approval from the shareholders of the Company through a two-tier voting process as described in the Guidance to Practice 4.2 of the Malaysian Code on Corporate Governance:

- the aforementioned Independent Non-Executive Director fulfilled the definition of an Independent Director as set out under Paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- the aforementioned Independent Non-Executive Director was able to exercise independent judgement and act in the best interests of the Company.



# Notice of ANNUAL GENERAL MEETING *(cont'd)*

- there was no potential conflict of interest that the aforementioned Independent Non-Executive Director could have with the Company as he had not entered into any contract or transaction with the Company and/or its subsidiaries within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- the aforementioned Independent Non-Executive Director had not developed, established or maintained any significant personal or social relationship, whether direct or indirect, with the Executive Directors, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level, consistent and expected of him to carry out his duties as an Independent Non-Executive Director.

## iv. Ordinary Resolution 8

### **Retention of Alfian Bin Tan Sri Mohamed Basir as an Independent Non-Executive Director**

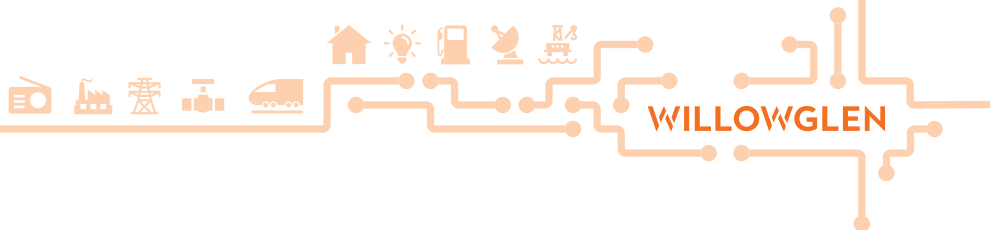
Alfian Bin Tan Sri Mohamed Basir was appointed as an Independent Non-Executive Director of the Company on 9 October 2003 and therefore, has served the Board for a cumulative term of more than twelve (12) years. The Board of Directors of the Company through the Nomination and Remuneration Committee, after having assessed the independence of Alfian Bin Tan Sri Mohamed Basir, regards him to be independent based amongst others, the following justifications and recommends that Alfian Bin Tan Sri Mohamed Basir be retained as an Independent Director of the Company subject to the approval from the shareholders of the Company through a two-tier voting process as described in the Guidance to Practice 4.2 of the Malaysian Code on Corporate Governance :

- the aforementioned Independent Non-Executive Director fulfilled the definition of an Independent Director as set out under Paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- the aforementioned Independent Non-Executive Director was able to exercise independent judgement and act in the best interests of the Company.
- there was no potential conflict of interest that the aforementioned Independent Non-Executive Director could have with the Company as he had not entered into any contract or transaction with the Company and/or its subsidiaries within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- the aforementioned Independent Non-Executive Director had not developed, established or maintained any significant personal or social relationship, whether direct or indirect, with the Executive Directors, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level, consistent and expected of him to carry out his duties as an Independent Non-Executive Director.

## v. Ordinary Resolution 9

### **Authority to Issue Shares Pursuant to the Companies Act 2016**

The proposed Ordinary Resolution, if passed, will give a renewal mandate to the Directors of the Company the authority to allot and issue new ordinary shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors may in their discretion deem expedient in the best interest of the Company, subject to compliance with the relevant regulatory requirements. This renewed mandate, unless earlier revoked or varied by the shareholders of the Company at a general meeting, will expire at the next Annual General Meeting of the Company.



## Notice of **ANNUAL GENERAL MEETING** (cont'd)

The authority to issue shares pursuant to the Companies Act 2016 will provide flexibility and expediency to the Company for any possible fund raising activities involving the issuance or placement of shares to facilitate business expansion or strategic merger and acquisition opportunities involving equity deals or part equity or to fund future investment project(s) or for working capital requirements which the Directors of the Company consider to be in the best interest of the Company. The approval is sought to avoid any delay and cost in convening a general meeting to approve such issuance of shares.

The Company had been granted a mandate by its shareholders at the Twenty-First Annual General Meeting of the Company held on 2 May 2019 ("**Previous Mandate**"). As at the date of this Notice, no new shares were issued pursuant to the Previous Mandate and hence, no proceeds were raised therefrom.

vi. Ordinary Resolution 10

**Proposed Resolution for Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue Or Trading Nature**

The 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.

Detailed information of the Proposed Renewal of Shareholders' Mandate is set out in Part A of the Circular/Statement to Shareholders dated 29 June 2020.

vii. Ordinary Resolution 11

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

The proposed Ordinary Resolution, if passed, will provide a renewed mandate for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company and 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.

Further information on the Proposed Renewal of Share Buy-Back Authority is set out in Part B of the Circular/Statement to Shareholders dated 29 June 2020.



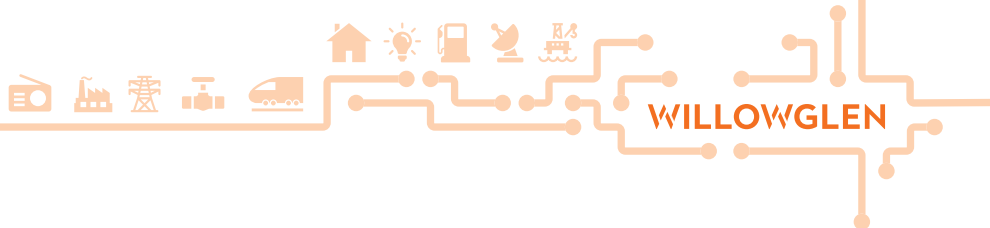
# Statement Accompanying **NOTICE OF ANNUAL GENERAL MEETING**

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

- (a) Wang Shi Tsang
- (b) Simon Wong Chu Keong
- (c) Teh Chee Hoe

2. **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.



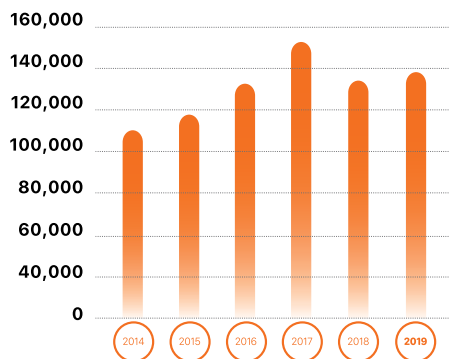
# Financial HIGHLIGHTS

GROUP FINANCIAL SUMMARY	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	109,754	119,268	132,000	155,385	134,639	139,338
Profit Before Tax	20,597	21,069	21,859	22,625	15,450	18,892
Profit Attributable To Owners Of The Company	17,414	18,090	18,279	18,717	11,108	14,870
Total Assets	119,033	139,394	157,314	179,392	180,368	197,616
Total Liabilities	18,696	17,669	20,899	30,579	25,788	32,593
Total Equity Attributable To Owners Of The Company	99,635	121,587	136,607	148,426	154,237	164,632
Basic Earnings Per Ordinary Share (sen)	3.58*	3.72*	3.76*	3.85*	2.28	3.06
Dividends Per Share (sen)	1.00*	1.00*	1.00*	1.00*	1.00	1.50
Net Assets Per Share (sen)	20.45*	25.00*	28.07*	30.50*	31.70	33.83

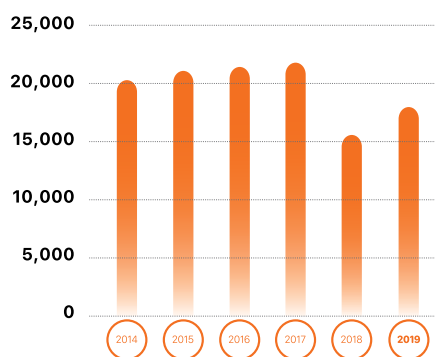
\* Has been adjusted pursuant to the bonus issue on the basis of one (1) new ordinary share for every one (1) existing ordinary share held on 11 June 2018.

## Financial HIGHLIGHTS *(cont'd)*

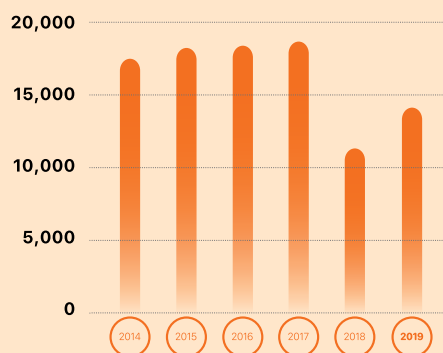
REVENUE (RM'000)



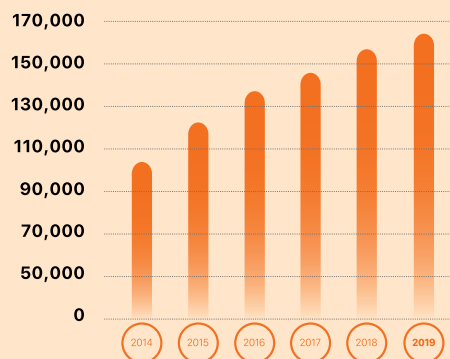
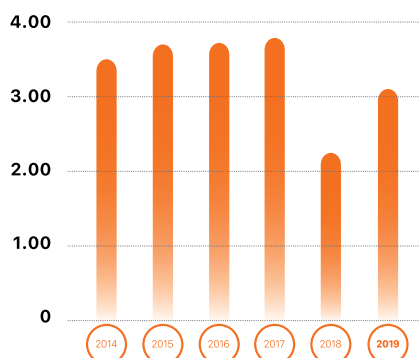
PROFIT BEFORE TAX (RM'000)



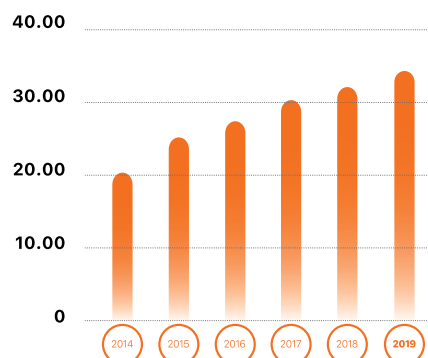
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)

BASIC EARNINGS  
PER ORDINARY SHARE (SEN)

NET ASSETS PER SHARE (SEN)





# 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)  
 Tan Jun (Executive Director)  
 Wang Shi Tsang (Senior Independent Non-Executive Director)  
 Au Chun Choong (Independent Non-Executive Director)  
 Teh Chee Hoe (Independent Non-Executive Director)  
 Syed Feisal Alhady (Independent Non-Executive Director)

## Audit Committee

Wang Shi Tsang (Chairman)  
 Alfian Bin Tan Sri Mohamed Basir  
 Au Chun Choong  
 Teh Chee Hoe  
 Syed Feisal Alhady (Appointed on 2 May 2019)

## Nomination & Remuneration Committee

Alfian Bin Tan Sri Mohamed Basir (Chairman)  
 Wang Shi Tsang  
 Au Chun Choong  
 Teh Chee Hoe  
 Syed Feisal Alhady (Appointed on 2 May 2019)

## Secretaries

Chua Siew Chuan  
 Tan Ley Theng

## Auditors

Baker Tilly Monteiro Heng PLT  
 Baker Tilly 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](mailto:corpinfo@willowglen.com.my)  
 Website: [www.willowglen.com.my](http://www.willowglen.com.my)

## Share Registrars

Boardroom Share Registrars Sdn Bhd  
 11th Floor, Menara Symphony  
 No. 5, Jalan Prof. Khoo Kay Kim  
 Seksyen 13  
 46200 Petaling Jaya  
 Selangor Darul Ehsan  
 Tel: 03-78904700 Fax: 03-78904670

## Principal Bankers

CIMB Bank Berhad  
 RHB Bank Berhad  
 United Overseas Bank (Malaysia) Berhad

## Profile of **DIRECTORS**

### **ALFIAN BIN TAN SRI MOHAMED BASIR**

aged 46, Malaysian, Male  
**Chairman, Independent  
Non-Executive Director**

Encik Alfian Bin Tan Sri Mohamed Basir 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.

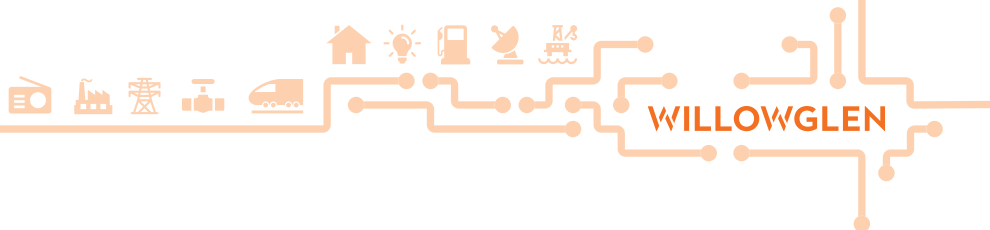
Encik Alfian's career began at Ernst & Young PLT, Kuala Lumpur, a global accounting firm. Specialising in the financial sector, he gained a wealth of experience managing large financial audits and special due diligence assignments, in conjunction with the consolidation of the local banking sector, at 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 PLT 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, particularly in Malaysia and Cambodia. Currently, he is a Non-Independent and Non-Executive Director of WTK Holdings Berhad. He is also an Independent and Non-Executive Director of EUPE Corporation Berhad. In addition, he also currently sits 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 five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

He attended three (3) out of four (4) Board Meetings held in the financial year ended 31 December 2019.



## Profile of **DIRECTORS** (cont'd)

### WONG AH CHIEW

aged 72, Malaysian, Male  
**Group Managing Director**

Mr. Wong Ah Chiew 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 and Risk Management 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 30 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. On 12 December 1997, he was appointed as Director of PJ Development Holdings Berhad and subsequently appointed as Managing Director on 1 January 2006 before his retirement on 31 July 2013.

Mr. Wong does not have any directorship in other public companies and listed issuers in Malaysia.

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

Mr. Wong has no conviction for any offences within the past five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

He attended all four (4) Board Meetings held in the financial year ended 31 December 2019.



## Profile of **DIRECTORS** (cont'd)

### **SIMON WONG CHU KEONG**

aged 44, Malaysian, Male  
**Executive Director**

Mr. Simon Wong Chu Keong was appointed to the Board of Directors on 1 August 2013.

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

Mr. Simon 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. Simon Wong then founded and held a director position in a privately owned company providing IT systems and related services.

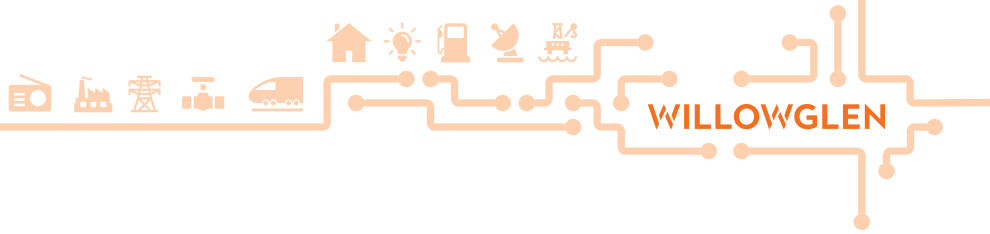
From 2005 to 2013, he served in the property development and construction divisions within a public listed group and was also a director of several subsidiary companies within the group.

Mr. Simon Wong does not have any directorship in other public companies and listed issuers in Malaysia.

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

Mr. Simon Wong has no conviction for any offences within the past five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

He attended all four (4) Board Meetings held in the financial year ended 31 December 2019.



## Profile of **DIRECTORS** *(cont'd)*

### **TAN JUN**

aged 52, People's Republic of China, Female  
**Executive Director**

Ms. Tan Jun was appointed to the Board of Directors on 1 October 2016.

Ms. Tan graduated with a Bachelor Degree in Electrical and Electronic Engineering from Shanghai JiaoTong University, China in 1989. She obtained her Master Degree in Engineering in the same university in 1992.

She started her career as a Lecturer in the Automatic Control Department in Shanghai JiaoTong University in 1992. She has taught various subjects and groomed many undergraduate students. She also served as a distinguished researcher in a R&D group for national automation research projects in the university.

She came to Singapore in 1997 and joined Willowglen Services Pte. Ltd. ("WSPL") as a Software Engineer in the same year. She was involved in SCADA software development and project technical support. In 2002, she was promoted to Software Manager, leading the team in software design and project development. With her strong technical knowledge, she also actively engaged in sales and marketing to promote company products and solutions. In 2008, she was promoted to the General Manager where she was overall in charge of the Company's project operations and performance. In year 2011, she was promoted to her current position as Chief Executive Officer where is responsible for all day-to-day management decisions and business performance of WSPL.

Ms. Tan does not have any directorship in other public companies and listed issuers in Malaysia.

Ms. Tan has no conviction for any offences within the past five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

She attended all four (4) Board Meetings held in the financial year ended 31 December 2019.

## Profile of **DIRECTORS** (cont'd)

### WANG SHI TSANG

aged 66, Malaysian, Male

**Senior Independent Non-Executive Director**

Mr. Wang Shi Tsang 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 Chartered Tax Institute of Malaysia and an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators.

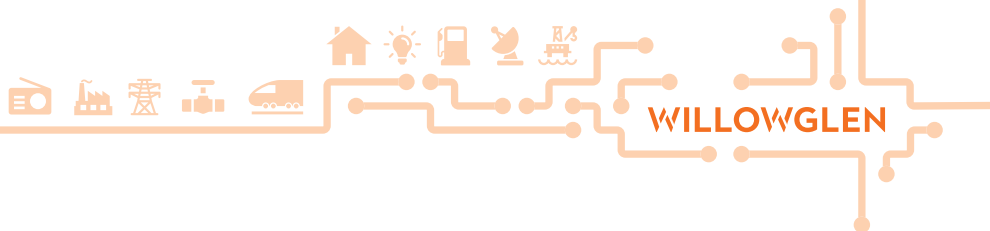
Mr. Wang had served the Inland Revenue Department (now known as the Inland Revenue Board) from 1977 to 1991. He held the post of Assistant Director prior to joining the corporate sector. From 1 September 1991 to 28 August 2012 he worked in the Corporate Affairs Department of a large listed company dealing with both corporate and tax matters and last held the position of Senior Manager-Corporate Affairs & Taxation. From 29 August 2012 to 31 August 2017 he served as the Senior Manager-Tax in the same company's Finance Department. Besides providing tax consultancy services, he was responsible for problem-solving and trouble-shooting in various tax matters and managing the company's Goods and Services Tax.

Mr. Wang does not have any directorship in other public companies and listed issuers in Malaysia.

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 five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

He attended all four (4) Board Meetings held in the financial year ended 31 December 2019.



## Profile of **DIRECTORS** (cont'd)

### AU CHUN CHOONG

aged 68, Malaysian, Male  
**Independent Non-Executive Director**

Mr. Au Chun Choong was appointed to the Board of Directors on 1 August 2013.

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

Mr. Au 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.

Mr. Au was the Non-Executive Director of Luxchem Corporation Berhad from 15 May 2008 to 13 March 2020. He was also the Independent Non-Executive Director of PJ Development Holdings Berhad from 30 December 1989 to 31 July 2013.

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.

Mr. Au has no conviction for any offences within the past five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

He attended all four (4) Board Meetings held in the financial year ended 31 December 2019.

## Profile of **DIRECTORS** (cont'd)

### TEH CHEE HOE

aged 45, Malaysian, Male  
**Independent Non-Executive Director**

Mr. Teh Chee Hoe was appointed to the Board of Directors on 5 February 2018.

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

Mr. Teh graduated from the Nanyang Technological University (NTU), Singapore with a Bachelor Degree in Materials Engineering.

He started his career as a Programmer in Silverlake System Pte. Ltd. in 1998. He was the Business Development Director of ExtendedSys Pte. Ltd. in 1999 to 2001. In 2001 to 2004, he was the Director of Konsortium Multimedia Swasta Sdn. Bhd. In 2004, he founded Vibrant Bridge Sdn. Bhd., and he worked as the Managing Director till year 2009. In 2008, he co-founded dJava Factory Sdn. Bhd., and he is the Chief Operating Officer of dJava Factory Sdn. Bhd. He is also an Executive Director of Arctiquator Sdn. Bhd. since 2008. From 2016 to 2017, he served as the Chief Executive Officer of Scan Associates Berhad.

Mr. Teh does not have any directorship in other public companies and listed issuers in Malaysia.

Mr. Teh 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. Teh has no conviction for any offences within the past five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies.

He attended all four (4) Board Meetings held in the financial year ended 31 December 2019.



## Profile of **DIRECTORS** (cont'd)

### **SYED FEISAL ALHADY**

aged 61, Malaysian, Male  
**Independent Non-Executive Director**

Mr. Syed Feisal Alhady was appointed to the Board of Directors on 1 September 2018.

He has been appointed as member of the Audit Committee and Nomination & Remuneration Committee of the Company since 2 May 2019.

Mr. Alhady graduated from the South Bank Polytechnic, London with a Bsc (Honors) in Mechanical Engineering in 1982.

Mr. Alhady started his career with Esso Production Malaysia Inc in 1982 as a Offshore Construction Supervisor / Engineer. In 1991, he set up Divtech (Malaysia) Sdn. Bhd., Malaysia's first Diving & ROV company and served as the Managing Director. From 1996 to 2008, he served as the Managing Director of Global Offshore Malaysia Sdn. Bhd. In 2008, he set up 2H Offshore Engineering Sdn. Bhd. and served as an Executive Director. In the same year, he established Tidal Resources Sdn. Bhd. and served as the Managing Director of the Company. From 2010 to present, he served as the Managing Director of Subsea 7 Malaysia Sdn. Bhd.

Mr. Alhady does not have any directorship in other public companies and listed issuers in Malaysia.

Mr. Alhady 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. Alhady has no conviction for any offences within the past five (5) years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies.

He attended three (3) out of four (4) Board Meetings held in the financial year ended 31 December 2019.

# Profile of KEY SENIOR MANAGEMENT

## CHIN SWEE MING Chief Operating Officer

**Nationality/Age/Gender:**  
Malaysian/53/Female

**Year of Appointment:**  
2018

**Cessation of Office :**  
17.01.2020

**Academic/Professional Qualification(s):**

- Master of Business Admin and Bachelor of Science in Northwest Missouri State University, USA

**Working Experience:**

- She began her career in 1994.
- Ms. Chin started her career as a consultant with Arthur Andersen HRM Sdn. Bhd. She then spent more than 18 years in business development and marketing, project management and strategic planning with various GLCs and MNCs in various capacities. She also spent 3 years building a start-up company. Ms. Chin has wide exposures in the telecommunication, automotive and rail industries.
- In January 2018, she joined Willowglen Group as the COO and will be responsible for the overall Malaysia business operations.

## TAN CHUN CHEE Chief Operating Officer

**Nationality/Age/Gender:**  
Malaysian/52/Male

**Year of Appointment:**  
2020

**Academic/Professional Qualification(s):**

- Master of Business Administration in Manchester Business School, United Kingdom
- Degree in Mechanical Engineering in University of Manchester Institute of Science and Technology, United Kingdom

**Working Experience:**

- Mr. Tan career spans nearly 30 years in several leading technology companies including DXC Technology / Hewlett Packard Enterprise, Dell, Intel Corporation, IBM and management consulting practice.
- He has extensive experience in leading large teams from multiple geographical locations and was involved in large scale programs in various industry domains including transit and rail, fin-tech, semiconductor discrete manufacturing, corporate Information Technology digital transformation, software engineering Research and Development and automation and has delivered solutions to Fortune 500 companies in a global context.

## NIK AZLAN BIN NIK YUSOFF Chief Technical Officer

**Nationality/Age/Gender:**  
Malaysian/48/Male

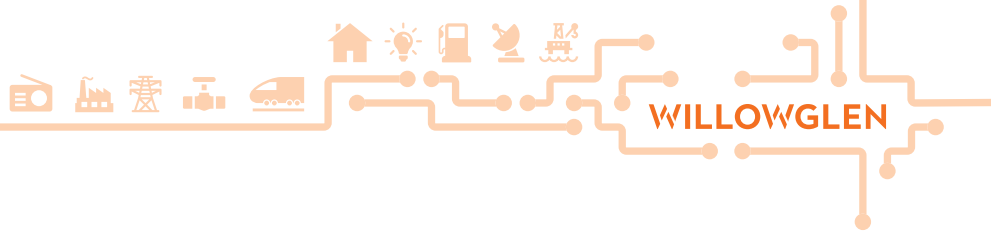
**Year of Appointment:**  
2010

**Academic/Professional Qualification(s):**

- Dual degrees in Electrical Engineering and Computer Science from Washington University, St. Louis, United States

**Working Experience:**

- He began his career in 1994 with Sapura Advance Systems.
- He joined CAE Inc Canada as flight control engineer then later as technical leader for autopilot group. Upon returning he had a brief stint at Motorola and Vedel IT services. At both company he was a lead software architect for product such as digital two way radio and wind turbine control systems. He joined Willowglen MSC Berhad in 2010 as Chief Technical Officer and responsible for the Company's Research and Development Department.



## Profile of **KEY SENIOR MANAGEMENT** *(cont'd)*

### **CHEW NYUK SEONG** General Manager – Finance & Corporate Secretarial

**Nationality/Age/Gender:**  
Malaysian/49/Male

**Year of Appointment:**  
2014

**Academic/Professional Qualification(s):**

- Member of the Malaysian Institute of Accountants
- Association of Chartered Certified Accountants
- Institute of Chartered Secretaries and Administrators

**Working Experience:**

- He began his career in 1994.
- In 2002, he joined Willowglen (Malaysia) Sdn. Bhd. ("WMSB") as an Accountant. In 2004, he left WMSB to join Dindings Consolidated Sdn. Bhd. as the Manager in charge of Accounts and Finance. He joined Willowglen MSC Berhad in 2007 and since then he has been actively involved in the financial and accounting matters of the Group.

### **PHAN VEE YEE** General Manager – SCADA

**Nationality/Age/Gender:**  
Malaysian/49/Male

**Year of Appointment:**  
2012

**Academic/Professional Qualification(s):**

- Master of Science Degree in Mechatronics, De Montfort University, United Kingdom
- Diploma in Electronics Engineering, Tunku Abdul Rahman College, Malaysia
- British Engineering Council Part I & II in Electronics Engineering

**Working Experience:**

- He began his career in 1995.
- In December 1999, he joined Willowglen (Malaysia) Sdn. Bhd. ("WMSB") in the project department. In his current position, his main responsibility in WMSB are project management, planning, lead and train up the project department key personnel and provides support to the marketing team of SCADA business unit.

### **KON CHIN HEONG** General Manager – IMS

**Nationality/Age/Gender:**  
Malaysian/43/Male

**Year of Appointment:**  
2012

**Academic/Professional Qualification(s):**

- Diploma in Electrical Engineering, Universiti Teknologi Malaysia
- Degree of Information Technology, University of Malaya

**Working Experience:**

- He began his career in 1999.
- In 2002, he joined Willowglen Group as Purchasing Engineer. In 2012, he was appointed to current position and responsible in achieving of sales target and profitability of IMS business unit.



## Profile of KEY SENIOR MANAGEMENT *(cont'd)*

### LEE MOOI SUM Senior Software Manager

**Nationality/Age/Gender:**  
Malaysian/48/Female

**Year of Appointment:**  
2012

**Academic/Professional Qualification(s):**

- Bachelor of Science in Electrical Engineering, University of Kentucky, Lexington, USA

**Working Experience:**

- She began her career in 1995.
- In 2000, she joined Willowglen MSC Berhad as Software Engineer. In 2012, she was appointed to current position and responsible to manage and lead the software development unit and in charge of Company's SCADA package.

### CHEONG FONG HOON Head of Business Development Division

**Nationality/Age/Gender:**  
Singaporean/66/Male

**Year of Appointment:**  
2012

**Academic/Professional Qualification(s):**

- Diploma in Electronic Engineering, Ngee Ann Technical College Singapore
- Diploma in Marketing Management, Ngee Ann Polytechnic
- Diploma in Marketing, The Institute of Marketing, UK

**Working Experience:**

- He began his career in 1976.
- He joined Willowglen Services Pte Ltd ("WSPL") in 1988 and was shortly designated as the Manager of the Special Projects Division. His duties were to oversee the implementation and maintenance of SCADA systems for PowerGrid Ltd., PowerGas Ltd. And the Ministry of Environment. In 2000, he moved to the Business Development Division as a Business Development Manager. Mr. Cheong was promoted to his present position, where he is responsible for developing and managing WSPL's clientele base.

### LEE BENG HONG Head of Project Division

**Nationality/Age/Gender:**  
Singaporean/61/Male

**Year of Appointment:**  
2012

**Academic/Professional Qualification(s):**

- Diploma in Electronics & Telecommunication Engineering, Singapore Polytechnic
- Graduate Diploma in Business Administration, Singapore Institute of Management (SIM)

**Working Experience:**

- He began his career in 1981.
- He joined Willowglen Services Pte Ltd as an Engineer in 1989. He was involved in projects and maintenance jobs during his tenure as an engineer. In his current position, he is also responsible for the business development particularly in sourcing projects and maintenance jobs related to HDB Tele-monitoring Systems.



## Profile of **KEY SENIOR MANAGEMENT** *(cont'd)*

### **PATRICIA LIM PUAY TIN** Head of HR/Admin Division

**Nationality/Age/Gender:**  
Singaporean/56/Female

**Year of Appointment:**  
2012

**Retired on:**  
30.05.2020

**Academic/Professional Qualification(s):**

- Certificate of Higher Education (Business Administration), Thames Valley University, UK
- Diploma in Personnel Management, Singapore Productivity & Standard Board

**Working Experience:**

- She began her career in 1981.
- She joined Willowglen Services Pte Ltd in 1988 and was shortly designated as the Personnel Manager to kick start the formulation of company's policies and workflow on the management of manpower and organizational resources. She has been delivering the role of Advisor on human capital, related legal and employment strategy issues in consultation with Senior Management for more than twenty years ago.

### **KOH BENG BOON** Head of Purchasing/Hardware Division

**Nationality/Age/Gender:**  
Singaporean/62/Male

**Year of Appointment:**  
2012

**Academic/Professional Qualification(s):**

- Diploma in Electrical and Electronics Engineering, Ngee Ann Technical College of Singapore

**Working Experience:**

- He began his career in 1981.
- He joined Willowglen Services Pte Ltd ("WSPL") in 1988. In his current position, he is responsible for all hardware support related functions on projects undertaken by WSPL. This includes planning, directing and controlling the entire procurement function of the company. He is also responsible for WSPL's in-house workshop and store operations for the production, quality inspection, hardware integration, testing and warranty repair of the hardware cards of RTU.

### **LIU EET SIN** Head of Software Division

**Nationality/Age/Gender:**  
Singaporean/56/Male

**Year of Appointment:**  
2013

**Academic/Professional Qualification(s):**

- Diploma in Electronics & Communication Engineering, Singapore Polytechnic

**Working Experience:**

- He began his career in 1981.
- He joined Willowglen Services Pte Ltd in 1989. He has been working on Object-Oriented Design and Analysis with extensive experience with the full cycle of software development namely design specification, implementation FAT, SAT and maintenance related type of specialities.

## Profile of KEY SENIOR MANAGEMENT *(cont'd)*

### SIM HOCK SOON Head of Project Division

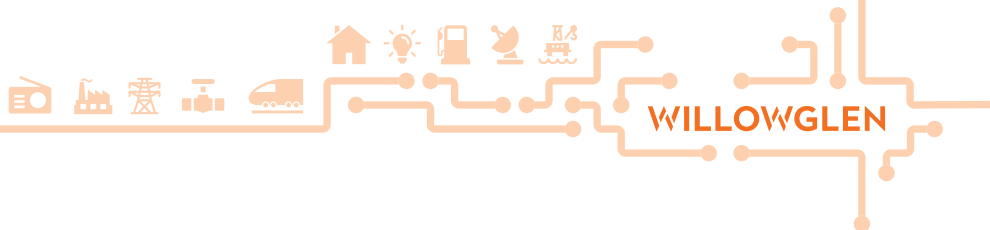
<b>Nationality/Age/Gender:</b> Singaporean/46/Male	<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>Diploma in Electronic Engineering, Nanyang Polytechnic</li> <li>Bachelor Degree in Computer Science, Open University UK, Singapore Institute of Management (SIM)</li> </ul>	<b>Working Experience:</b> <ul style="list-style-type: none"> <li>He began his career in 1996.</li> <li>He joined Willowglen Services Pte Ltd in 2001 as Assistant Software Engineer.</li> <li>He was transferred to Projects Division as Project Engineer in 2003 and was promoted as Project Manager in 2010. He had involved in multiple projects and maintenance jobs related to ELV, SCADA and PLC. He was promoted to his current position in 2017.</li> </ul>
<b>Year of Appointment:</b> 2017		

### WONG GUANG SHING Deputy Head of Business Development Division

<b>Nationality/Age/Gender:</b> Singaporean/51/Male	<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>Degree of Computer Science, University of Essex, United Kingdom</li> <li>Degree of Master of Technology (Software Engineering), National University of Singapore</li> </ul>	<b>Working Experience:</b> <ul style="list-style-type: none"> <li>He began his career in 1993.</li> <li>He joined Willowglen Services Pte Ltd ("WSPL") in 1995 as a Software/Project Engineer involved in software development and in various SCADA projects implementation.</li> <li>In year 2000, he was promoted to Project Section Manager. His duties were to oversee &amp; manage implementation and maintenance of SCADA systems for Education Sector, Healthcare Sector and from the Water Authority (PUB).</li> <li>In 2005, he moved to the Business Development Division as Business Development Manager and was responsible in pursuing business opportunities in Edu, Healthcare, Water, Transport, and IT sector.</li> <li>In 2019, he is promoted to Deputy Head position, where he is responsible for managing WSPL's sales team, and to prospect and develop WSPL clientele base and businesses.</li> </ul>
<b>Year of Appointment:</b> 2019		

#### Save as disclosed, none of the Key Senior Management have :-

- any directorship in public companies and listed issuers;
- any family relationship with any directors and/or major shareholders of the Company;
- any conflict of interest with the Company; and
- any conviction for offences within the past five (5) years other than traffic offences, nor any public sanction or penalty imposed by regulatory bodies.



# Audit

## COMMITTEE REPORT

Chairman	:	<b>WANG SHI TSANG</b> (Senior Independent Non-Executive Director)
Members	:	<b>ALFIAN BIN TAN SRI MOHAMED BASIR</b> (Independent Non-Executive Director) <b>AU CHUN CHOONG</b> (Independent Non-Executive Director) <b>TEH CHEE HOE</b> (Independent Non-Executive Director) <b>SYED FEISAL ALHADY</b> (Independent Non-Executive Director) (Appointed on 2 May 2019)

The composition of the Audit Committee ("AC") is in compliance with Paragraph 15.09 and 15.10 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia Securities") and the Malaysian Code on Corporate Governance where all the AC members are Independent Non-Executive Directors. None of the Independent Directors has appointed Alternate Directors.

The member of the AC meets the requisite qualifications under Paragraph 15.09(1)(c) of the MMLR of Bursa Malaysia Securities.

### TERMS OF REFERENCE

The Terms of Reference of the AC is available at the Company's website at [www.willowglen.com.my](http://www.willowglen.com.my).

### MEETINGS

The AC held four (4) meetings during the financial year ended 31 December 2019.

Details of attendance of the members at the AC meetings held during the year under review are as follows:-

Directors	Attendance of Meetings
Wang Shi Tsang	4/4
Alfian Bin Tan Sri Mohamed Basir	3/4
Au Chun Choong	4/4
Teh Chee Hoe	4/4
Syed Feisal Alhady (appointed on 2 May 2019)	1/2

The Group Accountant was invited to all AC meetings to facilitate direct communications and to provide clarification on financial reports. Minutes of meetings of the AC are circulated to all members of the AC for confirmation at the next AC meeting and subsequently presented to the Board for notation.

The Chairman of the AC briefed the Board on matters of significant concern discussed during the AC meeting held prior to the Board Meeting. The applicable recommendations of the AC were presented by the AC's Chairman at subsequent Board meeting for the Board's approval.

# Audit

## COMMITTEE REPORT *(cont'd)*

### SUMMARY OF THE WORK OF THE AC FOR THE FINANCIAL YEAR

In discharging its functions and duties, the AC had carried out the following work for the financial year ended ("FYE") 31 December 2019:-

#### A. Financial Reporting

Reviewed the unaudited quarterly financial statements pertaining thereto and made recommendations to the Board for approval of the same as follows:-

Date of Meeting	Review of Unaudited Quarterly Financial Statement
28 February 2019	Unaudited Fourth quarter results for the financial year ended 31 December 2018
2 May 2019	Unaudited First quarter results for the financial year ended 31 March 2019
21 August 2019	Unaudited Second quarter results for the financial year ended 30 June 2019
15 November 2019	Unaudited Third quarter results for the financial year ended 30 September 2019

The AC carried out the review of unaudited quarterly financial statements to ensure that they were prepared in accordance with the applicable Malaysian Financial Reporting Standards and International Accounting Standards as well as applicable disclosure provisions of the MMLR of Bursa Malaysia Securities.

Subsequent to FYE 31 December 2019, the AC having reviewed the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2019, recommended the same to the Board for approval.

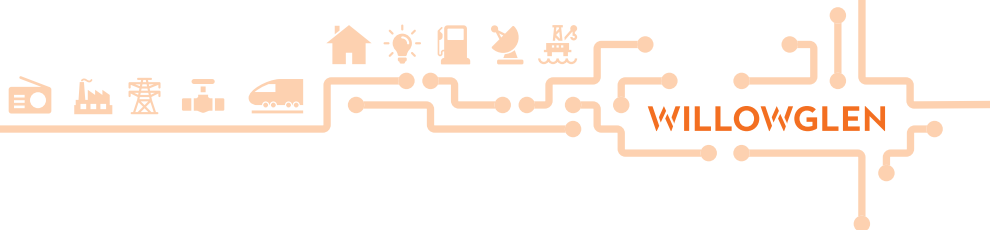
#### B. External Audit

On 28 February 2019, the AC reviewed the Audit Review Memorandum which had summarised the significant audit findings arising from the statutory audit of the Group and the Company for FYE 31 December 2018, with the External Auditors, Messrs Baker Tilly Monteiro Heng PLT ("BTMH"). BTMH also confirmed that they have not noted any fraud related incidents that rendered reporting to AC.

On 15 November 2019, the AC reviewed the Audit Plan for FYE 31 December 2019 prepared by BTMH, outlining the audit scope, statutory timeline and audit timeframe, areas of focus, fraud consideration and the audit risk assessment, key audit matters and audit fees.

The AC had two (2) private sessions with BTMH without the presence of the Executive Directors and management staff on 28 February 2019 and 15 November 2019 respectively to enquire if BTMH had encountered issues during their audit that needed to be brought to the attention of the AC.

BTMH confirmed that they will continuously comply with the relevant ethical requirements regarding independence with respect to the audit of the financial statements of the Company and Group FYE 31 December 2019 in accordance with the International Federation of Accountants Code of Ethics for Professional Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.



# Audit

## COMMITTEE REPORT *(cont'd)*

Subsequent to FYE 31 December 2019, the AC reviewed the Audit Review Memorandum which had summarised the significant audit findings arising from the statutory audit of the Group and the Company for FYE 31 December 2019, including the key audit matter raised and Management's response to the internal control highlighted by BTMH in the course of their statutory audit.

The AC reviewed the performance of BTMH and was satisfied with their performance, quality of communication, sufficiency and allocation of resources, competency as well as timelines in completing the audit and recommended the re-appointment of BTMH for the FYE 31 December 2020 to the Board for approval by its shareholders at the forthcoming Twenty-Second Annual General Meeting.

### C. Internal Audit

- (a) Reviewed and approved the Internal Audit Plan noting the key processes and risk areas for the internal audit scope coverage.
- (b) Evaluated the performance of Internal Auditors, including their independence and objectivity, and made recommendation to the Board on their appointment and audit fees.
- (c) Reviewed the Internal Audit Reports on the effectiveness and adequacy of internal controls, risk management, operational, compliance and governance processes of the Group including management's responses thereto and the implementation of management's action plans on outstanding issues and recommendations were being properly addressed and corrected on a timely basis.

During the financial year under review, the Internal Auditors conducted the audit reviews according to the approved audit plan and areas of concern which require further improvement were highlighted in the internal audit reports.

Areas covered by the Internal Audit included the assessment of internal controls implemented by Management in managing the risks associated with the operating processes covering Related Party Transactions, Cyber Risk Management, Project Management and Contract Management.

### D. Risk Management

During the AC meetings on 28 February 2019, 2 May 2019 and 15 November 2019 respectively, the AC reviewed the reports containing the results of the risk updates deliberated at the meetings of the Management-level Risk Management Committee as follows:-

- Financial Risks
- Operational Risks

### E. Related Party Transactions

- (i) Reviewed the quarterly report on recurrent related party transactions for compliance with both in-house procedures and the MMLR of Bursa Malaysia Securities.
- (ii) Reviewed the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions ("RRPT") of a revenue or trading nature and proposed new shareholders' mandate for RRPT of a revenue or trading nature prior to its approval by the Board.



# Audit

## COMMITTEE REPORT *(cont'd)*

### F. Other Matters

- (i) Reviewed the Circular to Shareholders in relation to the proposed renewal of share buy-back authority, prior to the submission to the Board for approval.
- (ii) Reviewed the AC Report and Statement on Risk Management and Internal Control, prior to submission to the Board for consideration and inclusion in the Annual Report of the Company.

### SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit ("OIA") function to an external party, which reports directly to the AC, to assist the AC in ensuring the adequacy and effectiveness of the Group's risk management and internal control systems.

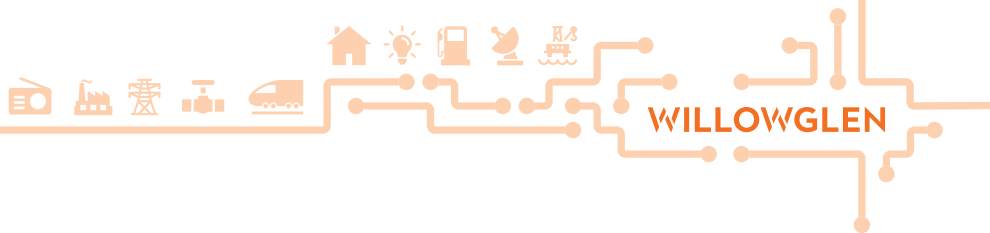
With the OIA being put in place, remedial action can be taken in relation to weakness identified and noted in the systems and controls of the respective operating units.

The OIA had carried out internal audit review on the Related Party Transactions and Cyber Risk Management function of the Group's Malaysia operation. They have also conducted a review on the Project Management and Contract Management function of the Singapore operation.

The AC had reviewed the findings identified, deliberated on the Management's responses thereto and communicated with the Management to implement the proposed improvement action plans accordingly. Summary reports which provided status updates to the implementation of management action plans on the findings reported in the Internal Audit Reports for all the previous audit cycles reviewed were presented to the AC.

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

The total cost incurred for the outsourced internal audit function of the Group during the year under review amounted to RM30,001, inclusive of disbursements (FY2018: RM28,369).



# Management

## DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATIONS REVIEW

In 2019, the Malaysia operations continue to concentrate its efforts in pursuing opportunities in the transportation and power market. The Group has been supplying Remote Terminal Units ("RTUs") and Field Terminal Units ("FTUs") to utility companies in Malaysia and via partners to Indonesia but moving forward we target to capture a bigger share of the market. The Group has also secured and is in the process of implementing a project involving unmanned aerial vehicle or commonly known as drone for the oil palm industry. Drones with hyperspectral, multispectral, thermal and even high-resolution cameras can help to monitor the water, fertilizer, insecticides and herbicides needs of a plantation closely. It can also be used to gather data, automate redundant processes and improve efficiency of the plantation. The Group will explore for opportunities in this vast market in both Malaysia and Indonesia.

In Singapore, the Group has secured the largest ever single contract to design and deploy a comprehensive state-of-the-art SCADA and PLC system with cybersecurity solutions for another Waterworks, including four treatment plants together in the system. The Group was also involved in the development of the world's largest ceramic filtration membrane water treatment plant, by delivering plant-wide SCADA and PLC systems and has successfully applied WillowLynx with personnel tracking and building monitoring system and to upgrade the underground cable tunnel monitoring and control system. Under the Singapore's Smart Nation initiative, the Group has connected lift monitoring information from lifts across the nation into a datahub, by developing various hardware gateways and software communication protocols.

The Group has secured the opportunity to deploy RFID labels and is developing other Industrial Control System opportunities in the Philippines.

The Vietnam operations is currently at an exploration stage where we are targeting various business opportunities including smart buildings and utilities.

The operations of the Group are subject to a number of risk and the Group has put in place a sound system of internal control and effective risk management framework to mitigate these risks. Rising material costs and difficulty in the recruitment of capable engineers remain our main challenges. We are committed to ensure that we have the best teams and develop future talents of the Group to achieve our corporate objectives. A performance management system has been put in place to develop top performing teams and promote innovation.

#### *Research and Development (R&D)*

Willowglen operates R&D and product development centers in Malaysia and Canada. Our investment in R&D, particularly over the last 10 years, have laid a strong foundation from which we can address future challenges. In 2019, the R&D center in Kuala Lumpur spent RM 4.05 million on development and deployment of technology to increase value, reduce cost of our projects and enhance the performance and profitability of our own and our customers' businesses. We have established a reputation for product development and customization capability and achieved outstanding results. Our industry proven WillowLynx, SCADACOM and RTU systems are currently operating some of the most critical transportation, oil and gas and power distribution systems in the world.

To maintain this momentum is critical. Therefore Willowglen R&D is concentrating on developing product and solutions for the on-going Industrial Revolution 4.0. (IR 4.0). Our experience in SCADA gives us a head start, we are now focusing on one of key component of IR 4.0 which is AI powered edge devices that can perform analytics to expedite decision making and reduce processing load at the central server. We believe Data Analytics and Machine Learning algorithm, residing in edge devices will be a necessary tool for more efficient operations for many industries.

Every year we will release new products and solutions and 2019 was no exceptions. WillowLynx version 6 was released. This version offers new features such as OPC UA protocol, and Dashboard Application which enable fast graphical visualization of key data, as well as various features enhancement in Security, Historian, Reporting and TouchLynx. Development of flagship WillowLynx 7 is ongoing and targeted for release in 2021. Our RTU continues to win multiple projects here and overseas. The newest and smallest RTU model will be released in the third quarter on 2020. The mini RTU with small IO points is suitable for power distribution, water, transportation and building management systems.



# Management **DISCUSSION AND ANALYSIS** *(cont'd)*

## FINANCIAL REVIEW

Despite a challenging business environment, the Group managed to increase its revenue by 3.49% to RM 139.34 million from RM 134.64 million last financial year. The Group profit after tax increased by 34.38% to RM14.90 million from RM11.09 million recorded in 2018. This is mainly due to improvement in Group margins and reduction of overheads.

As in previous years, the Group's main markets continue to be Malaysia and Singapore where the Singapore operations contributed 81.70% of the Group's revenue with the balance coming from Malaysia operations. Revenue of the Malaysia operations remain low as many of the projects on hand are at the early stage of implementation or completion stage where income recognition from projects is low. The revenue from Malaysia and Singapore operations has increased by 11.30% and 2.03% respectively compared to last financial year.

The Group's basic earnings per ordinary share increased to 3.06 sen as compared to 2.28 sen in last financial year. Our net assets per share has increased to 33.8 sen as at 31 December 2019 from 31.7 sen in 2018.

The Group's net cash and investment securities amounted to RM 88.54 million, with no borrowings. In 2019, the Group has invested RM 4.05 million in R&D activities and incurred RM 1.10 million in capital expenditure.

A final single-tier dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2019 has been approved by the Board of Directors. The entitlement and payment dates for the dividend are on 29 May 2020 and 25 June 2020 respectively.

## MOVING FORWARD

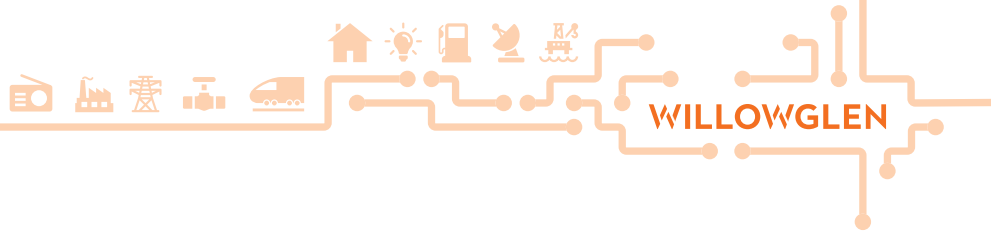
With the increasing use of open connectivity such as IIoT ("Industrial Internet of Things"), devices, Cloud-based evolution of SCADA, ICS ("Industrial Control Systems") and Security System, it is crucial to have the best Cybersecurity measures in place. Cybersecurity regulations are becoming the norm as governments enact laws and guidelines to hold businesses more accountable for critical information infrastructure. Cybersecurity needs to be implemented with best practices of control for businesses in our total solution and services.

The Government has put in great interest in Industry 4.0, including 5G, which demands a higher number of connected devices for capturing data and faster systems migration to Commercial Cloud by approved vendors. While the on-premise SCADA is expected to dominate the market because of its wide adoption in the past implementation, the on-cloud SCADA is expected to catch up, which is more cost-efficient by offering flexibility, scalability, easy resource sharing, and accessibility to the data or information from remote locations.

By using web services and IIoT protocols to collect data and control processes in real time, organizations can now not only control numerous cost-effective IIoT devices via a secure gateway, but also expect Decision Management systems moving beyond simple event and alarm management. Through advanced rules engine, and the combination of predictive maintenance algorithms and complex business logic, businesses can now improve their processes by guiding operators in their response.

In Security Systems, video analytics have become much more affordable and easier to deploy. They are usually used in motion detection, privacy masking, people counting, etc. While deep learning will begin solving domain-specific problems. Meanwhile, Security data will be used to enhance operations by organizations to share with other teams for different objectives.

Moving forward, the Group will continue to pursue for opportunities in the transportation and power market. We are also pursuing the system upgrade and expansion of the TNB power distribution network which requires a lot of SCADA solutions. There will also be new opportunities in the Sarawak vision for Smart City.



## Management **DISCUSSION AND ANALYSIS** *(cont'd)*

The Singapore operations will put in efforts to develop business opportunities in healthcare, public safety and transportation which are new sources of business opportunities. Overseas market is one of the new areas for Singapore business team to work on via partners in Philippines and Thailand. While the business development team is engaging more with Cybersecurity solution and service providers to deepen their knowledge, the engineering team has equipped themselves with the necessary technical skill-sets to handle the implementation of such requirements and also to provide solutions at the initial proposal stage.

The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates. The local Movement Control Order ("MCO") and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's sales, operations and supply chain. The Group will continue to monitor the impact of Covid-19 on its operations and financial performance and will take appropriate and timely measures to minimize the impact on the Group's operations.

The Group remain committed in maintaining the Group's track record and to deliver a satisfactory financial performance for the financial year ending 31 December 2020.

Wong Ah Chiew  
Group Managing Director



# Sustainability **STATEMENT**

The Board acknowledges its responsibility to recognise the increasing relevance of sustainability in our business value and our sustainability statement aims to address the sustainability challenges and opportunities. The Board is fully committed to carry out activities in a sustainable manner and to deliver its strategic and operational objectives in accordance with the applicable laws and principles of good governance as well as high standards of integrity.

The Group is committed to comply with the principles of the Malaysian Code of Corporate Governance, as an assurance that the Group uses a sound and highly transparent management practices in the best interests of the Group and stakeholders. Details of the Corporate Governance practices are set out separately in the Corporate Governance Overview Statement of this Annual Report.

## **Sustainability Structure**

The Board of Directors ("Board") of the Company has the overall responsibility for the Group's sustainability matters, strategy and performance.

The management team led by the Executive Directors is responsible in managing, monitoring and reviewing sustainability matters in line with the Group's established policies and practises and implementing measures and action plans.

## **Stakeholder Engagement**

Engagement with stakeholders is important to enable us to identify the expectations of stakeholders, prioritise the expectations, address material matters and to adopt the material matters in our business strategies.

The Group has conducted the specific engagement process as follows:

- (i) Determining the key stakeholders based on each stakeholder's influence and dependence of the Group
- (ii) To gain an insight into the stakeholders' concerns, interest and expectations on the sustainability matters
- (iii) To look into feedbacks from other stakeholders gathered during the course of conducting our business operations



## Sustainability STATEMENT *(cont'd)*

Our key stakeholders are outlined on the table below, along with the engagement methods and engagement focus that we seek to address:

Stakeholder Group	Engagement Methods	Engagement Focus	How we manage the issues
<b>Customers</b>	<ol style="list-style-type: none"> <li>1. Meetings</li> <li>2. Corporate website</li> <li>3. Customer survey</li> <li>4. Roadshows</li> <li>5. Marketing materials</li> </ol>	<ol style="list-style-type: none"> <li>1. Reputation, confidence and trust in the Group</li> <li>2. Quality of projects delivered in compliance with standards and on time delivery</li> <li>3. Product prices and value of products</li> </ol>	<ol style="list-style-type: none"> <li>1. Quality management systems</li> <li>2. Competitive price against competitors</li> <li>3. Innovative solutions</li> </ol>
<b>Employees</b>	<ol style="list-style-type: none"> <li>1. Monthly management meetings</li> <li>2. Weekly project meetings</li> <li>3. CSR meetings</li> <li>4. On the job trainings</li> <li>5. Internal and external trainings</li> </ol>	<ol style="list-style-type: none"> <li>1. Discuss operational performance and procedures</li> <li>2. Knowledge and skill enhancement</li> <li>3. Safety environment at work</li> <li>4. Staff welfare and benefits</li> </ol>	<ol style="list-style-type: none"> <li>1. Attractive remuneration package</li> <li>2. Career development</li> <li>3. Work-life balance</li> </ol>
<b>Suppliers/Contractors</b>	<ol style="list-style-type: none"> <li>1. Regular engagement with suppliers / contractors</li> <li>2. Supplier / contractor assessment</li> </ol>	<ol style="list-style-type: none"> <li>1. Prices and payment terms</li> <li>2. Cost efficiency and innovative products / methods</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategic partnerships</li> <li>2. Working alliance</li> <li>3. Continuous sourcing</li> <li>4. Timely payment to suppliers / contractors</li> </ol>
<b>Community</b>	<ol style="list-style-type: none"> <li>1. Community engagement activities</li> <li>2. Engagement with universities</li> </ol>	<ol style="list-style-type: none"> <li>1. Community development</li> <li>2. Impact of our business on social and environmental</li> </ol>	<ol style="list-style-type: none"> <li>1. Sponsorship and donations</li> <li>2. Internship for university students</li> </ol>
<b>Government and Regulators</b>	<ol style="list-style-type: none"> <li>1. Regular engagement and meetings</li> <li>2. Submission of data and info as and when requested</li> </ol>	<ol style="list-style-type: none"> <li>1. Compliance with policies, procedures and rulings of regulators</li> <li>2. Compliance with requirements of local authorities and government bodies</li> </ol>	<ol style="list-style-type: none"> <li>1. Complying with all policies and requirements</li> <li>2. Responsible reporting</li> <li>3. Follow best practices in the industry</li> </ol>

# Sustainability

## STATEMENT (cont'd)

<b>Investors / Shareholders</b>	<ol style="list-style-type: none"> <li>1. Bursa announcement</li> <li>2. Quarterly Reports</li> <li>3. Annual Report</li> <li>4. Annual General Meetings</li> </ol>	<ol style="list-style-type: none"> <li>1. Sustainable growth and business continuity</li> <li>2. Creating shareholder value</li> </ol>	<ol style="list-style-type: none"> <li>1. Engagement with investors</li> <li>2. Responsible reporting</li> <li>3. Focus on financial performance, risk management and internal control</li> </ol>
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### Prioritisation of Material Sustainability Matters

The Group has undertaken the stakeholder engagement process and the feedback from these engagements was considered in the Group's materiality assessment. The Group has identified the material matters as tabled below:-

	<b>Economic</b>	<b>Environment</b>	<b>Social</b>
<b>Material Matters</b>	Financial performance Innovation Business conduct Risk management	Waste and energy management	Human capital development Human capital acquisition

### Keys of Sustainability

The sustainability commitments and practices undertaken by the Group under three key pillars of economic, environmental and social are as follows:-

#### **Economic**

The Group strives to maintain high standard of corporate ethics, good corporate governance and strict compliance with all legal and regulatory requirements by practicing the following:-

##### (i) Business conduct

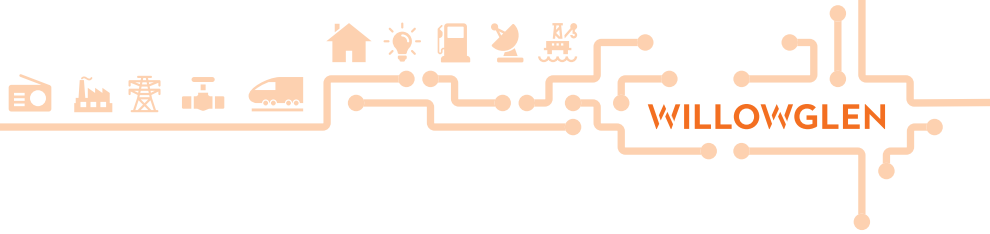
We consistently strive for better performance by applying the following core values of the Group:

- Customer focus
- Commitment & ownership
- Teamwork
- Leadership

##### (ii) Commitment to quality and customer satisfaction

The Group's long term sustainability business is built on the trust and confidence from our customers by offering good quality products and services with competitive pricing as well as listening to the customers' feedback.

We continue to dedicate our full attention and resources to improve the operational performance, products and projects delivery by improving the skills of the employees and facilities. We continue to ensure that our projects are delivered on time and within budget.



# Sustainability

## STATEMENT *(cont'd)*

### (iii) Innovation

Our dedicated R&D team is committed to deliver state-of-art customised SCADA software and Remote Terminal Units ("RTUs") for the requirement of our projects and to bring continuous innovation to our customers.

### (iv) Risk Management

The Group has developed a strong enterprise wide risk management system. The framework spells out the Group's risk principles and strategies established to drive the risk culture and to consistently practice risk management system at all levels of the Group.

### (v) Corporate governance and compliance

The Group recognises the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practised throughout the Group to deliver long term sustainable value to the shareholders and stakeholders.

### (vi) Code of Ethics

The Group is committed to conducts its business and operations with integrity, openness and accountability and to also conduct its affairs in an ethical, responsible and transparent manner. The code of ethics set out the standards and ethical conduct expected of the staff of the Group.

### (vii) Whistle blowing policy

A whistle blowing policy has been established to ensure that the Group's business and operations are conducted in an ethical, moral and legal manner. The whistle blowing policy is designed to encourage employees or external parties to disclose suspected malpractice or misconduct and to provide protection to employees or external parties who report allegations of such practices.

## ***Environmental***

The Group believes that sustainable business would not be achieved if the environment is compromised and we ensure strict compliance with the environmental laws and regulations.

Our RTUs are manufactured using lead free solder and comply with the stringent EU RoHS ("Restriction of Hazardous Substances") standards governing the use of hazardous substances in electrical and electronic equipment. We have spent tremendous effort and resources in designing our RTUs to use lesser power with better functionalities at a lower production cost than the earlier designs.

The Group has identified opportunities to reduce, reuse and recycle the resources it consumes through efficient utilisation and recycling of resources. The Group also encourages the adoption of energy efficient electronics, LED lightings and electrical equipment.

The Group promotes awareness among the employees to minimise the usage of electricity, water and paper. The employees have been encouraged to share and store documents electronically and to reduce printing or photocopying.



# Sustainability **STATEMENT** *(cont'd)*

## **Social**

As the Group strives to expand its business and market share, the Group recognises that human capital will be the main impetus towards achieving its goals. We are committed to ensure that we have the best teams, develop and retain future talents of the Group. A performance management system has been put in place to meet challenges, promote innovation and develop top performing teams.

In line with the Group's Strategic Human Resource Plan, the Group has established a system to continuously identify knowledge gap, identify training programmes suitable to meet the Groups objectives and to continuously assess the effectiveness of the training programmes.

The Group constantly look out for strong performers to be groomed into future leaders. We believe that by helping our employees realise their full potential, they will in turn help us to achieve our corporate objectives. The Group recognises its responsibilities to contribute to the capabilities of tomorrow's workforce and since 2002 we have provided industrial training opportunities to Engineering students from universities and colleges.

The Group also recognises the importance of work-life balance and believes that healthy and happy employees are the keys to improved morale and productivity. The Group has continuously sponsored the employees in various sports activities like marathon and fun run events, badminton and futsal to promote healthy and active lifestyle among the employees.

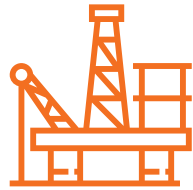
We strive to give back to the society by supporting local charities with donations. We have also organised collection of pre-loved clothes or useable items from the employees for charity and have organised Blood Donation Campaign which has successfully raised awareness to the employees and the public that blood donation is safe and simple that can help to save lives.

## **Moving forward**

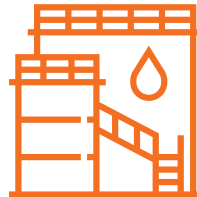
The Board recognises that building greater sustainability is an ongoing exercise in which the Board will strive to refine the sustainability practises and to ensure that the Group achieve its long term growth.



## Gas Pipelines Network

Gas Transmission and  
Distribution PipelinesLiquid and Gas Pipelines  
and Flow Computer  
Monitoring

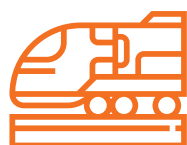
## Oil and Gas

Raw Water and  
Potable WaterSewerage Treatment  
Process Control and  
Plant MonitoringWaste Water  
ReclamationWater and  
Waste WaterOur **PROJECTS**



## Transportation

Railway Communication System



Integrated SCADA

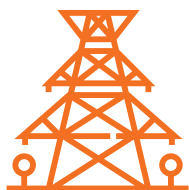


Railway Station Surveillance System

Cyber Security



Energy and Distribution Management System



Integrated Security System

## Electrical and Power

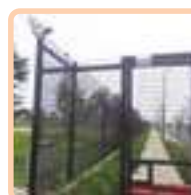
### Commercial and Residential



Lift Monitoring and Surveillance System



Energy Monitoring System



Integrated Monitoring System



# Corporate Governance

## OVERVIEW STATEMENT

The Board of Directors of Willowglen MSC Berhad (the “**Company**”) (the “**Board**”) recognises the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practiced throughout the Company and its subsidiaries (the “**Group**”) to deliver long term sustainable value to the shareholders and other stakeholders.

The Board is pleased to present this Corporate Governance (“**CG**”) Overview Statement (the “**Statement**”) which outlines the key aspects of how the Company has applied the following principles of the Malaysian Code on Corporate Governance (“**MCCG**”) during the financial year ended 31 December 2019:-

Principle A	Principle B	Principle C
Board leadership and effectiveness	Effective audit and risk management	Integrity in corporate reporting and meaningful relationship with stakeholders
<ul style="list-style-type: none"> <li>• Roles of the Board, the Chairman and Group Managing Director and the Company Secretaries</li> <li>• Board Composition</li> <li>• Board Independence</li> <li>• Tenure of Independent Directors</li> <li>• Board Diversity</li> <li>• Appointment of Directors</li> <li>• Re-election and Re-appointment of Directors</li> <li>• Performance Evaluation</li> <li>• Meetings and Time Commitment</li> <li>• Board Charter and Code of Ethics</li> <li>• Directors’ Training and Development</li> <li>• Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Risk Management and Internal Control</li> <li>• Suitability and Independence of External Auditors</li> <li>• Internal Control</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with Stakeholders</li> <li>• Conduct of General Meetings</li> </ul>

This Statement is prepared in compliance with Bursa Malaysia Securities Berhad (“**Bursa Malaysia Securities**”) Main Market Listing Requirements (“**MMLR**”) and it is to be read together with the CG Report which is published on the Company’s website at [www.willowglen.com.my](http://www.willowglen.com.my). The CG Report provides detailed explanation on the application of the corporate governance practices of the Company as set out in the MCCG during the financial year ended 31 December 2019.

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. Board Responsibilities

- 1.0 Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

# Corporate Governance

## OVERVIEW STATEMENT *(cont'd)*

- 1.1 In carrying out its duties, the Board has amongst others, a formal schedule of matters specifically reserved for its decision, including overall strategic direction, major capital commitments and capital expenditure, material acquisitions and disposals, major capital projects and the monitoring of the Group's operating and financial performance.

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 Principles and Practices set out in the MCCG.

In discharging its functions and responsibilities, the Board is guided by the Board Charter which outlines the duties and responsibilities of the Board, matters reserved for the Board as well as those which the Board may delegate to the Board Committees, Group Managing Director and management. The Board has a well-defined framework on the various categories of matters that require the Board's approval, endorsement or notations, as the case may be.

The Board is assisted by various Board Committees, namely, the Audit Committee and the Nomination and Remuneration Committee, which are entrusted with specific responsibilities to oversee the Group's affairs, in accordance with their respective clear written terms of reference.

Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subjected to the Board's approval. Key matters reserved for the Board's approval includes dividend, related party transactions, new ventures and investment, material acquisition and disposal of assets which are not in the ordinary course of business of the Company.

- 1.2 The Board is chaired by an Independent Non-Executive Director, who ensures the orderly conduct and effective running of the Board.

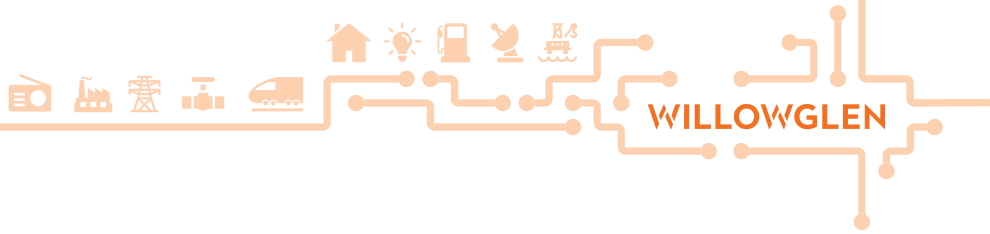
The position of the Chairman of the Board and the Group Managing Director are held by different individuals.

The Board delegates the authority and responsibility for managing the day-to-day activities of the Group to the Group Managing Director in achieving corporate and business objectives. The Group Managing Director is responsible for the vision and strategic directions of the Group as well as initiating innovative ideas to create competitive edge and development of business and corporate strategies. This is to ensure there is an appropriate balance of roles, responsibilities and accountability at the Board level.

- 1.3 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 and Remuneration Committee.

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as the Directors of the Company. To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all the Directors before the beginning of every year.

The Board is regularly updated and advised on statutory and regulatory requirements by the Company Secretaries and/or the representatives of the Company Secretaries who are suitably qualified, experience and competent. Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretaries and/or the representatives of the Company Secretaries also attend all the Board of Directors' meetings and ensure that all the Board of Directors' meetings are properly convened, the proceedings and resolutions passed are properly recorded in the minutes of meetings.



# Corporate Governance

## OVERVIEW STATEMENT *(cont'd)*

The Company Secretaries also serve closed period notifications to the Directors for trading in the Company's shares.

- 1.4 The Board meets on a quarterly basis and additionally as and when required. 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. All announcements made to Bursa Malaysia Securities will be circulated to all Directors on the day of the announcements are released. Senior management staff from different business units are also invited to attend the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management staff.

The Directors also have access to the advice and services of the Company Secretaries, senior management staff as well as independent professional advisers including the internal and external auditors. When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, at the Company's expense to enable the Directors to discharge their duties with adequate knowledge on the matters being deliberated.

### **2.0 There is demarcation of responsibilities between the board, board committees and management.**

**There is clarity in the authority of the board, its committees and individual directors.**

The Board is guided by a Board Charter which outlines the roles and responsibilities of the Board. The Board Charter shall be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is available on the Company's website at [www.willowglen.com.my](http://www.willowglen.com.my).

### **3.0 The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.**

**The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.**

In line with good corporate governance practices, the Board, and Management and employees of the Group are committed to a corporate culture which supports the operation of its businesses in an ethical manner, and upholds high standards of professionalism and exemplary corporate conduct at the work place.

The Group has adopted the Code of Conduct and Ethics which was formulated to enhance the standard of corporate governance and corporate behaviour of the Group.

The Code of Conduct and Ethics is available on the Company's website at [www.willowglen.com.my](http://www.willowglen.com.my).

The Group has adopted the Whistleblowing Policy which is designed to enable employees of the Group to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety. The Whistleblowing Policy is intended to cover concerns which are in the public interest and may at least initially be investigated separately but might then lead to the invocation of other procedures e.g. disciplinary.

The Whistleblowing Policy is available on the Company's website at [www.willowglen.com.my](http://www.willowglen.com.my).

# Corporate Governance

## OVERVIEW STATEMENT *(cont'd)*

### II. Board Composition

#### 4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

- 4.1 The Board consists of eight (8) members, comprising the Independent Non-Executive Chairman, the Group Managing Director, two (2) Executive Directors, the Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors.

The current Board composition complies with the MMLR of Bursa Malaysia Securities which requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.

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

- 4.2 The Board takes cognisance that Practice 4.2 of MCCG recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to his re-designation as a Non-Independent Director. In the event such Director is to be retained as an Independent Director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) year, annual shareholders' approval must be sought through a two-tier voting process to retain the said Director as an Independent Director.

Presently, Mr. Wang Shi Tsang and Encik Alfian Bin Tan Sri Mohamed Basir are the Independent Non-Executive Director of the Company who have served the Board for more than twelve (12) years.

The Nomination and Remuneration Committee and Board have assessed the independence of Mr. Wang Shi Tsang and Encik Alfian Bin Tan Sri Mohamed Basir, who each has served on the Board as Independent Non-Executive Directors for more than twelve (12) 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 subject to the approval from the shareholders of the Company through a two-tier voting process:-

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

The Nomination and Remuneration Committee noted that the Directors, to the best of their ability, have devoted sufficient time and effort to attend Board and/or Board Committee meetings for the financial year ended 31 December 2019.

There was a total of four (4) Board Meetings held in the financial year ended 31 December 2019. All of the Directors attended all four (4) Board Meetings except for Encik Alfian Bin Tan Sri Mohamed Basir and Mr. Syed Feisal Alhady who attended three (3) out of four (4) Board Meetings held in the financial year ended 31 December 2019.



## Corporate Governance

# OVERVIEW STATEMENT *(cont'd)*

- 4.3 The Nomination and Remuneration Committee obtained an annual declaration of independence from the Independent Directors confirming that they will continue to maintain their status of independence pursuant to the MMLR. The Board is also satisfied that these Directors remain independent of management, and objective in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

The annual assessment of each individual Director was conducted to enable the Board to ensure that each of the Board members including the Group Managing Director has the character, experience, integrity, competence and time to effectively discharge their respective roles.

- 4.4 The Nomination and Remuneration Committee comprises entirely of Independent Non-Executive Directors. The members of the Nomination and Remuneration Committee who served during the financial year ended 31 December 2019 are set out in the Corporate Information of this Annual Report.

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

The Company practises non-gender discrimination wherein Directors and senior management are recruited based on their experience, skills, independence and diversity to meet the Company's needs.

The appointment of the members of the Board is a formal and transparent selection process. The Nomination and Remuneration Committee will recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and all legal requirements are met.

- 4.5 In accordance with the Company's Constitution, 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.

The Nomination and Remuneration Committee reviews and assesses annually the proposed re-appointment and re-election of existing Directors who are seeking re-appointment and re-election at the annual general meeting of the Company. The Nomination and Remuneration Committee will, upon review and assessment, submit its recommendation to the Board for approval before tabling such proposals to the shareholders for approval at the annual general meeting.

Currently, there is one (1) female Director on the Board.

## Corporate Governance **OVERVIEW STATEMENT (cont'd)**

- 4.6 The Board is cognisant of the gender diversity recommendation promoted by MCCG pertaining to the need to establish a policy formalising the approach to boardroom diversity and to set targets and measures for the adoption of the said recommendation.

The Board does not have a specific policy on gender, ethnicity and age group for candidates to be appointed to the Board and does not have specific policy on setting target for female candidates in the workforce. The Company does not practice any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment. The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. In identifying suitable candidates for appointment to the Board, the Nomination and Remuneration Committee will consider candidates based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company and with due regard for the benefits of diversity on the Board.

- 4.7 The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge. The Board shall ensure compliance with the Mandatory Accreditation Programme as required by Bursa Malaysia Securities for the newly appointed Directors.

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.

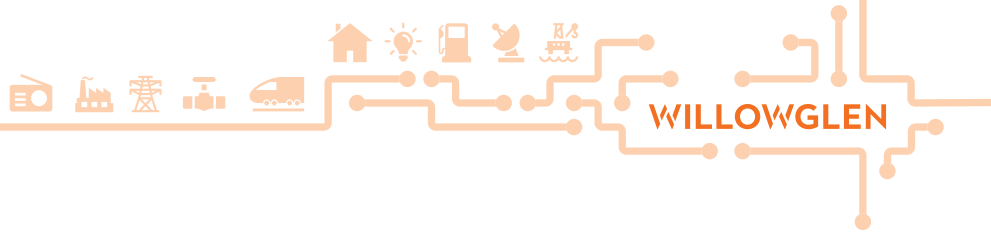
The training programme, seminar and/or conferences attended by the Directors during the financial year are as follows:-

- Leadership Greatness in Turbulent Times : Building Corporate Longevity
- Power Talk : Say on Pay : What do Boards Need to Know
- Value Investing – Making Better Investment Decisions
- The Role of the Board in Talent Management & Succession Planning
- Enable Smart Factories – Collecting and Connecting Data from the Shop Floor to the Top Floor
- 5th Urban Sustainability R&D Congress 2019
- Competition Law and Antitrust

In addition, Directors' education also includes briefings by the Internal Auditors, External Auditors and the Company Secretaries on the relevant updates on statutory and regulatory requirements from time to time during the Audit Committee and Board meetings.

### **5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.**

The Nomination and Remuneration 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.



# Corporate Governance

## OVERVIEW STATEMENT *(cont'd)*

During the financial year 2019, the Nomination and Remuneration Committee assisted the Board on the following functions:-

- reviewed and confirmed the Minutes of the Nomination and Remuneration Committee meeting held;
- assessed the effectiveness of the Board as a whole and the Board Committees;
- reviewed and assessed the performance of all the individual Directors;
- reviewed the independence of the Independent Directors;
- review of the required mix of skills, experience and other qualities required for the Board to function completely and effectively;
- recommended to the Board the re-election of Directors who will retire at the forthcoming AGM of the Company;
- recommended to the Board on the retention of Independent Directors who have served the Company for more than twelve (12) years;
- reviewed the terms of office and performance of the Audit Committee and each of its members;
- recommended to the Board the appointment of new Chief Operating Officer ("**COO**") to replace the outgoing COO

Following the annual review, the Nomination and Remuneration Committee agreed that the Board, the Board Committees and each individual Director had performed effectively and the composition of the Board is appropriate and well balanced in terms of size, mix of skills and experience.

### III. Remuneration

#### 6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

**Remuneration policies and decisions are made through a transparent and independent process.**

- 6.1 The principal objectives of the Nomination and Remuneration Committee are to nominate and screen Board member candidates and to ensure an appropriate structure for management succession and development including an effective process for Director selection and tenure and to review and recommend to the Board the remuneration, compensation and benefits packages of the executive directors.

The terms of reference of the Nomination and Remuneration Committee is available on the Company's website at [www.willowglen.com.my](http://www.willowglen.com.my).

- 6.2 The Company has in place a formal Remuneration Policy for Directors and Senior Management ("**Remuneration Policy**"). The Remuneration Policy establishes a formal and transparent procedure for developing a structure for the remuneration of Directors and Senior Management of the Company with the objective of supporting and driving business strategy and the long-term interests of the Company.

The aim of the Remuneration Policy is to:

- align individual performance with the Group's business strategy and long-term objectives;
- determine the level of remuneration package of Directors and Senior Management that commensurate with their position, responsibilities and expertise;
- attract, retain and motivate high performing Directors and Senior Management with a market competitive remuneration package; and
- encourage value creation for the Group and its stakeholders.



# Corporate Governance

## OVERVIEW STATEMENT (cont'd)

The Directors' fees and meeting allowances have been reviewed by the Nomination and Remuneration Committee and the Board, thereafter, recommends to the shareholders for approval.

The remuneration of the Executive Directors is structured so as to link rewards to corporate and individual performance in order to attract, retain and motivate the Executive Directors 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. The remuneration of the Executive Directors is considered and recommended by the Nomination and Remuneration Committee.

The Remuneration Policy is available on the Company's website at [www.willowglen.com.my](http://www.willowglen.com.my).

### 7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

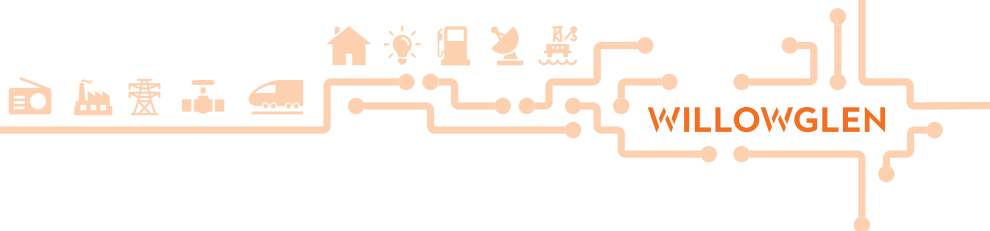
Directors' remuneration (including benefits-in-kind) for the financial year ended 31 December 2019 are as follows:-

#### COMPANY

Directors	Directors' Fees (RM)	Salaries, Bonus and Other Emoluments (RM)	Total (RM)
<b>Executive :-</b>			
Wong Ah Chiew	31,000	-	31,000
Simon Wong Chu Keong	30,000	-	30,000
Tan Jun	30,000	-	30,000
<b>Non-Executive :-</b>			
Alfian Bin Tan Sri Mohamed Basir	33,000	-	33,000
Wang Shi Tsang	31,000	-	31,000
Au Chun Choong	30,000	-	30,000
Teh Chee Hoe	30,000	-	30,000
Syed Feisal Alhady	30,000	-	30,000

#### GROUP

Directors	Directors' Fees (RM)	Salaries, Bonus and Other Emoluments (RM)	Total (RM)
<b>Executive :-</b>			
Wong Ah Chiew	31,000	2,173,668	2,204,668
Simon Wong Chu Keong	30,000	974,499	1,004,499
Tan Jun	30,000	1,627,964	1,657,964
<b>Non-Executive :-</b>			
Alfian Bin Tan Sri Mohamed Basir	33,000	-	33,000
Wang Shi Tsang	31,000	-	31,000
Au Chun Choong	30,000	-	30,000
Teh Chee Hoe	30,000	-	30,000
Syed Feisal Alhady	30,000	-	30,000



# Corporate Governance

## OVERVIEW STATEMENT *(cont'd)*

The remuneration of the top 5 Senior Management in each remuneration band on the Group basis for the financial year ended 31 December 2019 is as follows:-

Remuneration Bands	No. of Executives
RM250,000 – RM300,000	1
RM450,000 – RM500,000	1
RM1,000,000 – RM1,050,000	1
RM1,650,000 – RM1,700,000	1
RM2,200,000 – RM2,250,000	1

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. Audit Committee

##### 8.0 There is an effective and independent Audit Committee.

**The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.**

- 8.1 The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to risk management and accounting and reporting practices of the holding company and each of its subsidiaries and oversee the compliance with the relevant rules and regulations governing listed companies. The composition and summary of works of the Audit Committee is included in the Audit Committee Report of this Annual Report while the terms of reference of the Audit Committee is available on the Company website at [www.willowglen.com.my](http://www.willowglen.com.my).
- 8.2 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 2019, 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.

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.

In this respect, the Board is assisted by the Audit Committee to ensure correctness and adequacy of disclosure.

# Corporate Governance

## OVERVIEW STATEMENT *(cont'd)*

8.3 Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's external auditors. From time to time, 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.

The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors. The Audit Committee met the External Auditors twice during the year under review without the presence of the Executive Directors and Management staff for private discussion to allow the Audit Committee and the External Auditors to exchange independent views on matters which require the Audit Committee's attention.

## II. Risk Management and Internal Control Framework

**9.0 Company make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.**

**The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.**

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and effective system of internal control. The Board has the overall responsibility to review and monitor the Group's risk management and internal control system which provides reasonable assurance of an effective and efficient operation, compliance with laws and regulations and to safeguard shareholders' investment and the Group's assets. A Management-level Risk Management Committee was established to oversee the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas and determining its corresponding risk mitigation and treatment measures.

Details of the Company's risk management and internal control system and framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

During the year under review, the Board had reviewed the risk management and internal control system of the Group and is of the view that the system is adequate and effective as there were no material weakness and / or reported shortfalls in the risk management practices and internal control system which resulted and / or gave rise to any material loss, contingency and / or uncertainty to the Group.

**10.0 Company have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.**

The Group's internal audit function is carried out by outsourced external consultant who assists the Audit Committee and Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes.

The internal auditors report independently and directly to the Audit Committee on the Group's internal audit function, which is independently of the Board and Management. The internal audit function is carried out in accordance with the annual Internal Audit Plan as approved by the Audit Committee and all audit findings arising therefrom are reported to the Audit Committee.

Details of the Company's risk management and internal control system and framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.



# Corporate Governance

## OVERVIEW STATEMENT *(cont'd)*

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. Communication with Stakeholders

##### 11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

**Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.**

The Board is mindful of the disclosure obligations as stipulated in the MMLR and strive to ensure compliance at all times. The Board, in its best efforts, always ensure that shareholders and stakeholders are provided with accurate and quality information in relation to the Group on a timely basis.

The Board recognises the importance of keeping the shareholders and investors informed of the Group's business and corporate developments and the Group is guided by the Corporate Disclosure issued by Bursa Malaysia Securities. The Board endeavors to provide timely and accurate disclosure of all material information of the Group to shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Malaysia Securities.

The Company's website serves as a channel of communication for shareholders, investors and the public. All relevant information on the Group, including all announcements made by the Company can be obtained from the Company's website. This is important in ensuring equal and fair access of information by the investing public.

#### II. Conduct of General Meetings

##### 12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

The Annual General Meeting ("AGM") is the principal forum for dialogue with individual shareholders and investors, gathering views and answering questions on all issues relevant to the Group's business activities and prospects. The Board encourages full participation by the 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. The Board members, the Company's Senior Management and the Group's External Auditors are in attendance to respond to shareholders questions. Where it is not possible to provide immediate answers to shareholders question, the Board will undertake to provide the answer after the AGM.

Pursuant to the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may be properly moved and is intended to be moved at any general meeting, is voted by poll. The voting at AGM is conducted through electronic poll voting to expedite the counting and verification of votes.

In line with Practice 12.1 of MCGG, the notice convening the Twenty-Second AGM is given to the shareholders at least twenty-eight (28) days before AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. Each item of special business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution. In addition to sending the notice, the Company also published the AGM Notice on its website.



# Statement on

## **RISK MANAGEMENT AND 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 and to achieve continued profitability and sustainable growth in shareholders' value.

The Statement on Risk Management and Internal Control outlines the risk management and internal control processes of the Group during the year under review.

This statement is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

### **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 a management-level Risk Management Committee ("**RMC**") 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**

The Group has adopted the COSO Risk Management Framework 2013 to develop a strong enterprise wide risk management system. The framework spells out the Group's risk principles and strategies established to drive the risk culture and to consistently practice risk management system at all levels of the Group.

This forms the basis of communication and guide from the Board level down through senior management and finally to all other levels of employees on the risk management methodology to identify, describe, measure, mitigate and report the risks in areas of the Group's business activities that require further development or enhancement.

The process is carried out via the following risk management governance structure:

- **Board of Directors**

The Board of Directors is ultimately responsible for the adequacy and effectiveness of risk management and system of internal control. The Board's oversight committee is the RMC who maintains the overall responsibility of overseeing risk in the Group.



## Statement on **RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)**

- **RMC**

The RMC is responsible for the overall risk oversight which includes inter-alia reviewing and approving risk management policies and limits, reviewing risk exposures and business concentration and ensuring that the infrastructure, resources and systems are put in place for effective risk management oversight.

- **Business Units and Departments**

The business units and departments are the first line of control against risks and are therefore, responsible for identifying, mitigating and managing risk with their business and department activities and ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

The risk management framework, policies, systems and processes will be reviewed regularly, refined to manage risks and to ensure that the Group's risk profile remains within reasonable levels aligned to its risks appetite and risks tolerance.

The RMC comprises four (4) representatives of the Board and four (4) 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 (3) 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 following set 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, with the function reporting to the Audit Committee. 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.



## Statement on **RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)**

- 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.
- The Group has implemented a comprehensive Quality, Environmental and Occupational Health & Safety Management Systems which fully comply with the requirements of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. As part of the requirements of the ISO certifications accredited to the Group, scheduled internal quality audits are conducted each year by personnel independent of the processes being audited. Results of the audit are reported to the Executive Directors and management team where prompt actions are taken on areas requiring further improvement.

The Group's system of internal control does not apply to associated companies over which the Group does not have full management control.

### **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 2019 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.

### **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 Directors and General Manager - Finance that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group.

The Board has undertaken a review of the risk management and internal control system of the Group and is of the view that the systems are 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

**55** Directors'  
Report

**62** Statements of  
Financial  
Position

**64** Statements of  
Comprehensive  
Income

**66** Statements of  
Changes in  
Equity

**69** Statements of  
Cash Flows

**72** Notes to the  
Financial  
Statements

**147** Statement by  
Directors

**148** Statutory  
Declaration

**149** Independent  
Auditors'  
Report

**154** Additional  
Compliance  
Information

**155** List of  
Properties

**156** Shareholdings  
Statistics

**Form of Proxy**

**Questions from  
Shareholders**



# Directors' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## 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 disclosed 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
<b>Profit for the financial year, net of tax</b>	14,901	15,350
<b>Attributable to:</b>		
Owners of the Company	14,870	15,350
Non-controlling interests	31	-
	14,901	15,350

## DIVIDENDS

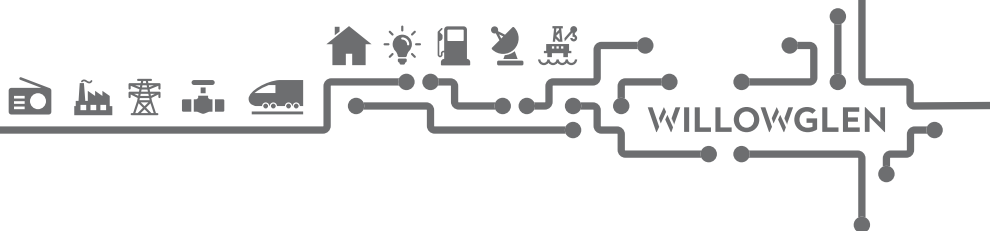
The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

**RM'000**

First and final single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018, approved by shareholders at the Annual General Meeting on 2 May 2019 and paid on 17 June 2019

4,866

A first and final single-tier dividend of 1.5 sen per ordinary share, amounting to RM7,298,748 in respect of the current financial year, has been approved by the Board of Directors on 26 February 2020. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in the equity as an appropriation of retained earnings in the financial year ending 31 December 2020 after the distribution has been made.



# Directors' **REPORT** *(cont'd)*

## **RESERVES OR PROVISIONS**

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

## **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were prepared, 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

## **CURRENT ASSETS**

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which 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 method 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 or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or 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 will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.



# Directors' **REPORT** *(cont'd)*

## **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.

## **ITEMS OF MATERIAL AND UNUSUAL NATURE**

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) 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**

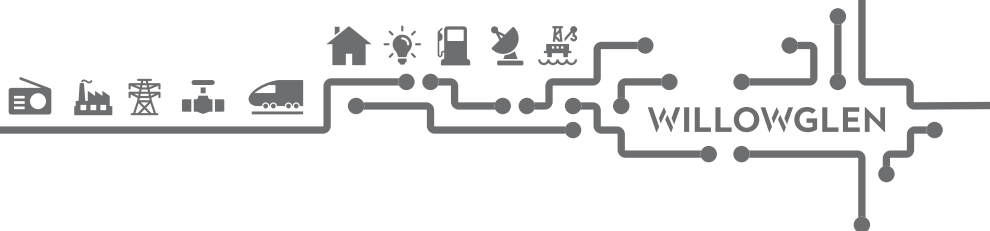
During the financial year, no new issue of shares or debentures were made by the Company.

## **TREASURY SHARES**

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2019, the Company held a total of 9,416,800 treasury shares out of its 496,000,000 issued share capital. Such treasury shares are held at a carrying amount of RM1,746,686. Further details are disclosed in Note 16 to the financial statements.



# Directors' REPORT *(cont'd)*

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

## DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Alfian Bin Tan Sri Mohamed Basir  
 Au Chun Choong  
 Simon Wong Chu Keong \*  
 Wang Shi Tsang  
 Wong Ah Chiew \*  
 Tan Jun \*  
 Teh Chee Hoe  
 Syed Feisal Alhady

\* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Otto Toto Sugiri  
 Edwin Prawiro Pranoto Djojoesilo  
 Vishnu Nair A/L Jeyarajan

(Resigned on 10 October 2019)

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows:

### Interest in the Company

	At 1 January 2019	Number of ordinary shares		At 31 December 2019
		Bought	Sold	
The Company				
<b>Willowglen MSC Berhad</b>				
<b>Direct interest</b>				
Wong Ah Chiew	3,000,000	-	-	3,000,000
Tan Jun	400,182	-	-	400,182
<hr/>				
<b>Deemed interest</b>				
Wong Ah Chiew <sup>(1)</sup>	264,673,814	5,804,000	-	270,477,814
Simon Wong Chu Keong <sup>(2)</sup>	261,801,214	5,804,000	-	267,605,214

# Directors' REPORT *(cont'd)*

## DIRECTORS' INTERESTS (CONTINUED)

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows: (Continued)

### Interest in the Company (Continued)

	At 1 January 2019	Number of ordinary shares		At 31 December 2019
		Bought	Sold	
The Holding Company				
<b>New Advent Sdn Bhd</b>				
<b>Direct interest</b>				
Wong Ah Chiew	4,718	-	-	4,718
Simon Wong Chu Keong	1,318	-	-	1,318
<hr/>				
<b>Deemed interest</b>				
Wong Ah Chiew <sup>(3)</sup>	3,782	-	-	3,782

<sup>(1)</sup> Deemed interest held through New Advent Sdn. Bhd., Elegant Preference Sdn. Bhd., Jian Qi Holdings Sdn. Bhd., his spouse and son.

<sup>(2)</sup> Deemed interest held through New Advent Sdn. Bhd.

<sup>(3)</sup> Deemed interest held through his spouse and son.

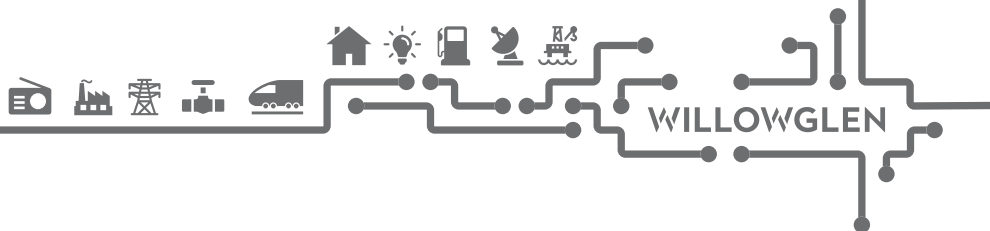
By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Wong Ah Chiew and Simon Wong Chu Keong are deemed to have interests in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interests in the ordinary shares of the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no directors of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 25 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is 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.



# Directors' **REPORT** *(cont'd)*

## **INDEMNITY TO DIRECTORS AND OFFICERS**

During the year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Company were RM5,000,000 and RM7,000 respectively.

## **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Other than those subsidiaries without audited reports as disclosed in Note 7 to the financial statements, the available auditors' report on the accounts of the subsidiaries did not contain any qualifications.

## **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Details of significant events subsequent to the end of the financial year are disclosed in Note 35 to the financial statements.

## **HOLDING COMPANY**

The directors regard New Advent Sdn. Bhd., a company incorporated in Malaysia, as the holding company of the Company.

## **AUDITORS' REMUNERATION**

The details of the auditors' remuneration are disclosed in Note 24 to the financial statements.

## **INDEMNITY TO AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify the auditors of the Company, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to the auditors of the Company during or since the financial year.



# Directors' **REPORT** *(cont'd)*

## **AUDITORS**

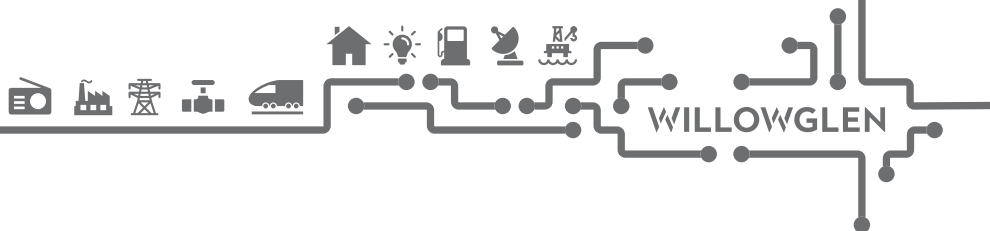
The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....  
**WONG AH CHIEW**  
Director

.....  
**SIMON WONG CHU KEONG**  
Director

Date: 12 May 2020



## Statements of FINANCIAL POSITION AS AT 31 DECEMBER 2019

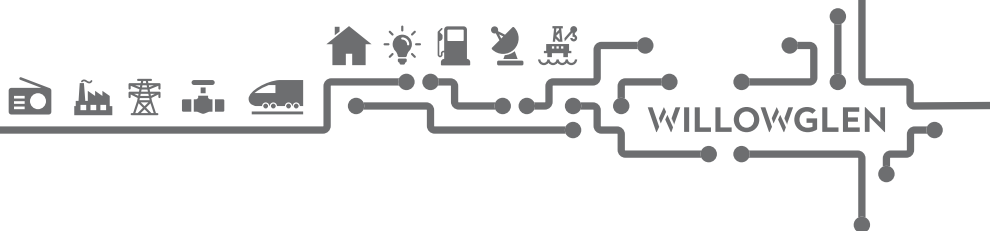
		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	11,253	15,077	2,391	2,470
Right-of-use assets	6	6,612	–	–	–
Investment in subsidiaries	7	–	–	50,806	47,360
Investments in associates	8	15,748	15,034	210	150
Investment securities	9	6,332	6,880	–	–
Other receivables	10	1,807	1,858	–	–
<b>Total non-current assets</b>		<b>41,752</b>	<b>38,849</b>	<b>53,407</b>	<b>49,980</b>
<b>Current assets</b>					
Inventories	11	2,602	2,777	–	–
Contract assets	12	38,498	32,910	–	–
Trade and other receivables	10	32,452	36,660	188	202
Amount due from subsidiaries	13	–	–	283	229
Tax recoverable		106	631	35	80
Cash and cash equivalents	14	82,206	68,541	13,587	6,486
<b>Total current assets</b>		<b>155,864</b>	<b>141,519</b>	<b>14,093</b>	<b>6,997</b>
<b>TOTAL ASSETS</b>		<b>197,616</b>	<b>180,368</b>	<b>67,500</b>	<b>56,977</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	15	29,240	29,240	29,240	29,240
Treasury shares	16	(1,747)	(1,747)	(1,747)	(1,747)
Reserves	17	137,139	126,744	39,456	28,972
<b>Total equity attributable to owners of the Company</b>		<b>164,632</b>	<b>154,237</b>	<b>66,949</b>	<b>56,465</b>
Non-controlling interests		391	343	–	–
<b>TOTAL EQUITY</b>		<b>165,023</b>	<b>154,580</b>	<b>66,949</b>	<b>56,465</b>



# Statements of FINANCIAL POSITION AS AT 31 DECEMBER 2019 (cont'd)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-current liabilities</b>					
Lease liabilities	18	2,506	–	–	–
Provisions	19	760	758	–	–
Deferred tax liabilities	20	115	115	–	–
Total non-current liabilities		3,381	873	–	–
<b>Current liabilities</b>					
Lease liabilities	18	1,363	–	–	–
Contract liabilities	12	9,549	7,277	–	–
Provisions	19	595	540	–	–
Trade and other payables	21	13,440	12,864	551	512
Tax payable		4,265	4,234	–	–
Total current liabilities		29,212	24,915	551	512
<b>TOTAL LIABILITIES</b>		<b>32,593</b>	<b>25,788</b>	<b>551</b>	<b>512</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>197,616</b>	<b>180,368</b>	<b>67,500</b>	<b>56,977</b>

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



## Statements of Comprehensive Income

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	22	139,338	134,639	2,793	2,047
Cost of sales		(93,085)	(91,276)	(447)	(563)
<b>Gross profit</b>		<b>46,253</b>	<b>43,363</b>	<b>2,346</b>	<b>1,484</b>
Other income		1,533	1,493	15,491	15,811
Administrative expenses		(29,211)	(30,422)	(2,477)	(13,468)
Net impairment losses on the financial instruments		(231)	–	(10)	(98)
<b>Operating profit</b>		<b>18,344</b>	<b>14,434</b>	<b>15,350</b>	<b>3,729</b>
Finance cost	23	(106)	–	–	–
Share of results of associates, net of tax		654	1,016	–	–
<b>Profit before tax</b>	24	<b>18,892</b>	<b>15,450</b>	<b>15,350</b>	<b>3,729</b>
Income tax expense	26	(3,991)	(4,361)	–	–
<b>Profit for the financial year</b>		<b>14,901</b>	<b>11,089</b>	<b>15,350</b>	<b>3,729</b>
<b>Other comprehensive income/(loss), net of tax</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		220	(161)	–	–
Fair values loss on debt instruments at fair value through other comprehensive income		188	(261)	–	–
<b>Other comprehensive income/(loss) for the financial year</b>		<b>408</b>	<b>(422)</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income for the financial year</b>		<b>15,309</b>	<b>10,667</b>	<b>15,350</b>	<b>3,729</b>

## Statements of Comprehensive Income

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 *(cont'd)*

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company	27	14,870	11,108	15,350	3,729
Non-controlling interests		31	(19)	-	-
		14,901	11,089	15,350	3,729
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		15,261	10,711	15,350	3,729
Non-controlling interests		48	(44)	-	-
		15,309	10,667	15,350	3,729
<b>Earnings per ordinary share attributable to owners of the Company (sen)</b>					
- basic	27	3.06	2.28		
- diluted	27	3.06	2.28		

The accompanying notes form an integral part of these financial statements



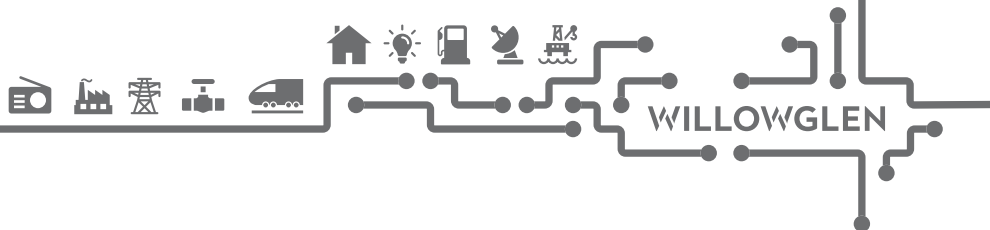
## Statement of Changes in Equity

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Treasury shares	Merger deficit	Foreign currency translation reserve	Fair value reserve	Retained earnings		
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2019</b>	29,240	(1,747)	(7,585)	14,513	(177)	119,993	343	154,580
Foreign currency translation differences for foreign operations	-	-	-	203	-	-	17	220
Fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	-	188	-	-	188
Total other comprehensive income for the financial year	-	-	-	203	188	-	17	408
Profit for the financial year	-	-	-	-	-	14,870	31	14,901
<b>Total comprehensive income for the financial year</b>	-	-	-	203	188	14,870	48	15,309
<b>Transactions with owners:</b>								
Dividends paid	-	-	-	-	-	(4,866)	-	(4,866)
<b>Total transactions with owners</b>	-	-	-	-	-	(4,866)	-	(4,866)
<b>At 31 December 2019</b>	29,240	(1,747)	(7,585)	14,716	11	129,997	391	165,023

28

		Attributable to owners of the Company								
		Foreign currency				Non-controlling interests				
		Share capital RM'000	Treasury shares RM'000	Merger deficit RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group	Note	29,240	(1,714)	(7,585)	14,649	84	113,752	148,426	387	148,813
Foreign currency translation differences for foreign operations Fair value loss on debt instruments at fair value through other comprehensive income		-	-	-	(136)	-	-	(136)	(25)	(161)
		-	-	-	-	(261)	-	(261)	-	(261)
		-	-	-	(136)	(261)	-	(397)	(25)	(422)
Total other comprehensive income for the financial year		-	-	-	-	-	11,108	11,108	(19)	11,089
Total comprehensive income for the financial year		-	-	-	(136)	(261)	11,108	10,711	(44)	10,667
Transactions with owners:										
Repurchase of treasury shares Dividends paid	16	-	(33)	-	-	-	-	(33)	-	(33)
	28	-	-	-	-	-	(4,867)	(4,867)	-	(4,867)
Total transactions with owners		-	(33)	-	-	-	(4,867)	(4,900)	-	(4,900)
At 31 December 2018		29,240	(1,747)	(7,585)	14,513	(177)	119,993	154,237	343	154,580



## Statements of Changes in Equity

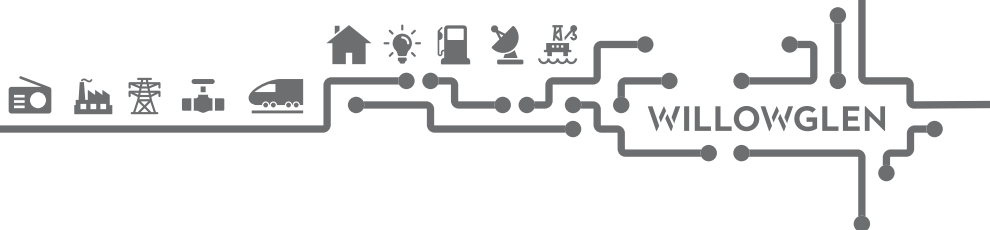
### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

Company	Note	Attributable to owners of the Company			
		Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 January 2018</b>		29,240	(1,714)	30,110	57,636
Total comprehensive income for the financial year		-	-	3,729	3,729
<b>Transactions with owners:</b>					
Repurchase of treasury shares	16	-	(33)	-	(33)
Dividends paid	28	-	-	(4,867)	(4,867)
<b>Total transactions with owners</b>		-	(33)	(4,867)	(4,900)
<b>At 31 December 2018</b>		29,240	(1,747)	28,972	56,465
Total comprehensive income for the financial year		-	-	15,350	15,350
<b>Transactions with owners:</b>					
Dividends paid	28	-	-	(4,866)	(4,866)
<b>Total transactions with owners</b>		-	-	(4,866)	(4,866)
<b>At 31 December 2019</b>		29,240	(1,747)	39,456	66,949

## Statements of Cash Flows

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	18,892	15,450	15,350	3,729
Adjustments for:				
Bad debts written off	284	1,139	-	-
Depreciation for:				
- Property, plant and equipment	2,055	2,284	160	183
- Right-of-use assets	1,460	-	-	-
Dividend income	-	-	(15,163)	(14,948)
Impairment losses:				
- Amount due from subsidiaries	-	-	10	98
- Investment in subsidiaries	-	-	-	171
- Trade receivables	231	-	-	-
Finance income	(1,394)	(868)	(302)	(708)
Interest expenses	106	-	-	-
Inventory written off	7	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	1	(326)	-	-
Property, plant and equipment written off	1	-	-	1
Provision for stock obsolescence	18	34	-	-
Share of results of associates	(654)	(1,016)	-	-
Waiver of debt from amount owing by a subsidiary	-	-	-	11,000
Unrealised loss/(gain) on foreign exchange	5	16	(10)	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>21,012</b>	<b>16,713</b>	<b>45</b>	<b>(474)</b>
Changes in working capital:				
Net changes in employee benefits and provisions	57	55	-	-
Net changes in inventories	150	2,503	-	-
Net changes in contract customers	(3,316)	25,791	-	-
Net changes in receivables	3,741	8,447	11	(76)
Net changes in payables	576	(5,830)	39	200
Net changes in inter-company balances	-	-	(3,497)	(7,111)
<b>Net cash generated from/(used in) operations</b>	<b>22,220</b>	<b>47,679</b>	<b>(3,402)</b>	<b>(7,461)</b>



## Statements of Cash Flows

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest paid	(106)	-	-	-
Interest received	1,394	868	302	708
Income tax paid	(3,960)	(4,173)	(31)	(36)
Income tax refunded	525	43	76	43
<b>Net cash generated from/(used in) operating activities</b>	<b>20,073</b>	<b>44,417</b>	<b>(3,055)</b>	<b>(6,746)</b>
<b>Cash flows from investing activities</b>				
Purchase of:				
- Property, plant and equipment	(1,102)	(1,790)	(81)	(7)
- Investment securities	-	(1,637)	-	-
Proceed from disposal of property, plant and equipment	1	383	-	-
Proceed from disposal of investment securities	758	1,490	-	-
Investment in associate	(60)	-	(60)	-
Dividends received	-	-	15,163	14,948
Changes in pledged deposits	(41)	(43)	(16)	(16)
Changes in time deposits	(6,400)	(3,039)	-	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(6,844)</b>	<b>(4,636)</b>	<b>15,006</b>	<b>14,925</b>
<b>Cash flows from financing activities</b>				
Repayment of lease liability	(1,324)	-	-	-
Repurchase of treasury shares	-	(33)	-	(33)
Dividends paid	(4,866)	(4,867)	(4,866)	(4,867)
<b>Net cash used in financing activities</b>	<b>(6,190)</b>	<b>(4,900)</b>	<b>(4,866)</b>	<b>(4,900)</b>

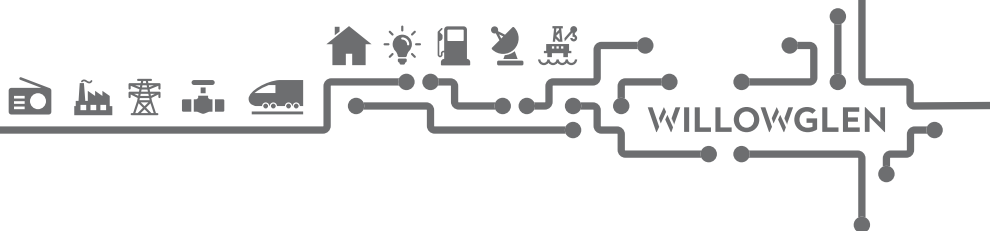


## Statements of Cash Flows

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)**

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Net increase in cash and cash equivalents</b>	7,039	34,881	7,085	3,279
Effect of exchange rate changes	185	(159)	-	-
<b>Cash and cash equivalents at the beginning of the financial year</b>	63,994	29,272	5,847	2,568
<b>Cash and cash equivalents at the end of the financial year</b>	71,218	63,994	12,932	5,847
<b>Analysis of cash and cash equivalents:</b>				
Fixed deposits placed with licensed banks	22,232	17,604	655	639
Time deposits	9,439	3,039	-	-
Short term investments	11,788	5,038	11,788	5,038
Cash and bank balances	38,747	42,860	1,144	809
	82,206	68,541	13,587	6,486
Less: Pledged deposits	(1,549)	(1,508)	(655)	(639)
Time deposits	(9,439)	(3,039)	-	-
14	71,218	63,994	12,932	5,847

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



# Notes to the FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Willowglen MSC Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and 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 holding company is New Advent Sdn. Bhd., a company incorporated and domiciled in Malaysia.

The Company is principally engaged in the research, development and supply of computer-based control systems. The principal activities of the subsidiaries are disclosed 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 May 2020.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

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

#### New MFRS

MFRS 16	Leases
---------	--------

#### Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowings Costs
MFRS 128	Investments in Associates and Joint Ventures

#### New IC Int

IC Int 23	Uncertainty over Income Tax Treatments
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# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

#### ***MFRS 16 Leases***

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statements of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group has applied MFRS 16 using the modified retrospective approach and the adoption of the MFRS 16 does not have any impact to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). The comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

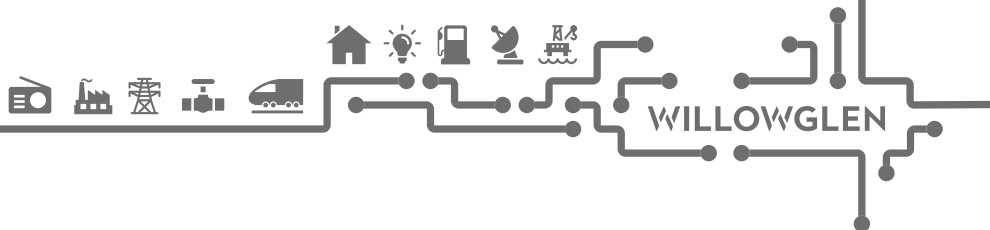
#### ***Definition of a lease***

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

#### ***Impact of the adoption of MFRS 16***

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

#### *MFRS 16 Leases (Continued)*

#### *Impact of the adoption of MFRS 16 (Continued)*

##### (i) Classification and measurement

As a lessee, the Group previously classified leases as operating leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On initial application of MFRS 16, for all their leases other than short-term and low value assets leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position, as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid into a principal and interest portions (presented within financing activities the statements of cash flows for the current financial year.

##### A. For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at either:

- (a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The Group applied this approach to its largest property leases; or
- (b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group and the Company also applied the following practical expedients wherein they:

- (a) applied a single discount rate to a portfolio of leases with similar characteristics;
- (b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
- (c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

#### *MFRS 16 Leases (Continued)*

#### *Impact of the adoption of MFRS 16 (Continued)*

##### (i) Classification and measurement (Continued)

##### A For leases that were classified as operating lease under MFRS 117 (Continued)

The Group and the Company also applied the following practical expedients wherein they (Continued):

- (d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### B For leasehold land that were classified as property, plant and equipment under MFRS 116

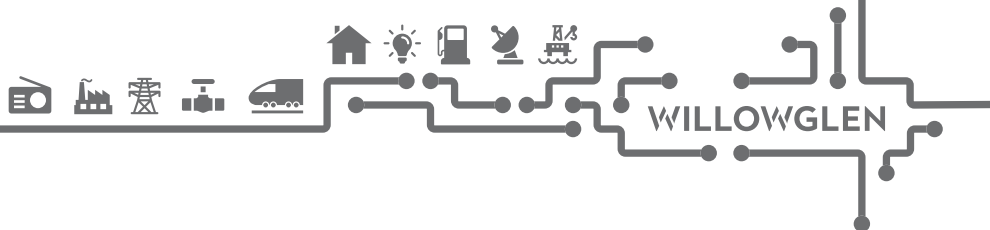
The Group recognised the carrying amount of the leasehold land under MFRS 116 as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

##### (ii) Short-term and low value assets

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

The effects of adoption of MFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows:

	Adjustment	Group Increase/ (Decrease) RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	B	(2,879)
Right-of-use assets	B, A	8,061
<b>Total non-current assets</b>		5,182
<b>Liability</b>		
Lease liabilities	A	5,182



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

#### *MFRS 16 Leases (Continued)*

#### *Impact of the adoption of MFRS 16 (Continued)*

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 January 2019 are range from 2.38% to 8.20%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018, as follows:

	<b>Group RM'000</b>
<b>Assets</b>	
Operating lease commitments as at 31 December 2018 (Note 29)	5,421
<b>Less:</b>	
Effect of discounting using the incremental borrowing rate as at date of initial application	(239)
Lease liabilities as at 1 January 2019	5,182

Other than as disclosed above, the adoption of MFRS 16 did not have a material impact on the Group's and the Company's statements of comprehensive income, statements of changes in equity or the Group's and the Company's operating, investing and financing cash flows.

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

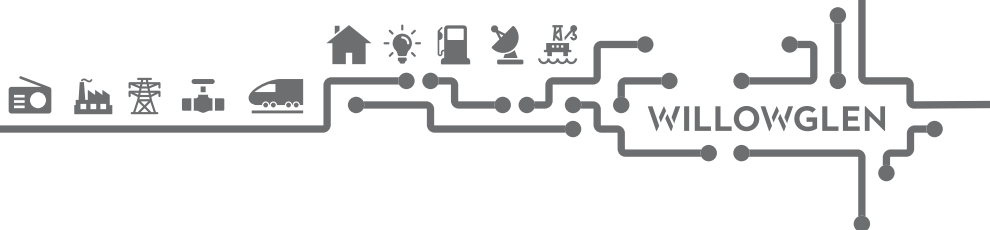
## 2. BASIS OF PREPARATION (CONTINUED)

### 2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023#/ 1 January 2022
MFRS 107	Statement of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#

# Amendments as to the consequence of effective of MFRS 17 Insurance Contracts



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

**2.3.1** The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

#### ***Amendments to MFRS 3 Business Combinations***

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

#### ***Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

#### ***Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors***

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.





# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## **2. BASIS OF PREPARATION (CONTINUED)**

### **2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)**

**2.3.1** The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

#### ***Amendments to MFRS 101 Presentation of Financial Statements***

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

### **2.4 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand ('000), unless otherwise stated.

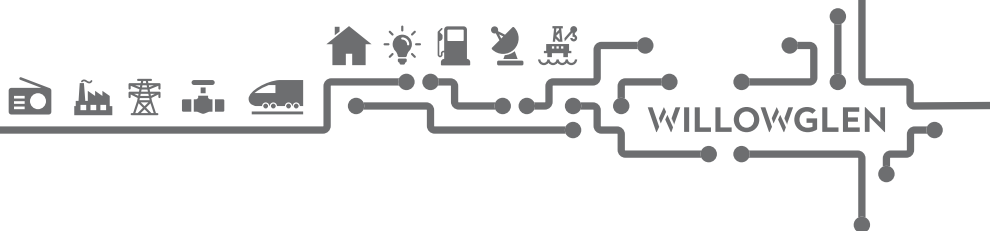
### **2.5 Basis of measurement**

The financial statements of the Group and the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

### **2.6 Use of estimates and judgement**

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 judgements 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 Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

### 3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associate used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

#### (a) Subsidiaries and business combination

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method of accounting except for business combinations which were accounted using the merger method as subsidiaries that were consolidated prior to 1 January 2006 in accordance with FRS 122<sup>2004</sup> 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.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### (a) Subsidiaries and business combination (continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

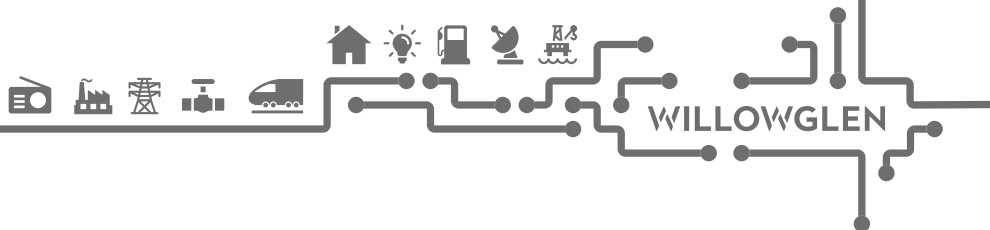
- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### (a) Subsidiaries and business combination

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss 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 associate, joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

#### (b) Associates

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

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

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

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

#### (c) Non-controlling assets

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

#### (d) Transactions eliminated on consolidation

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

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

### 3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associate are measured at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

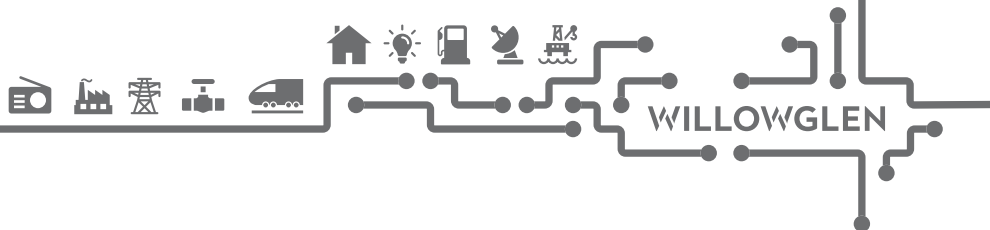
### 3.3 Foreign currency transactions and operations

#### (a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Foreign currency transactions and operations (Continued)

#### (a) Translation of foreign currency transactions (Continued)

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

#### (b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 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 instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at their fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

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

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### (a) Subsequent measurement

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

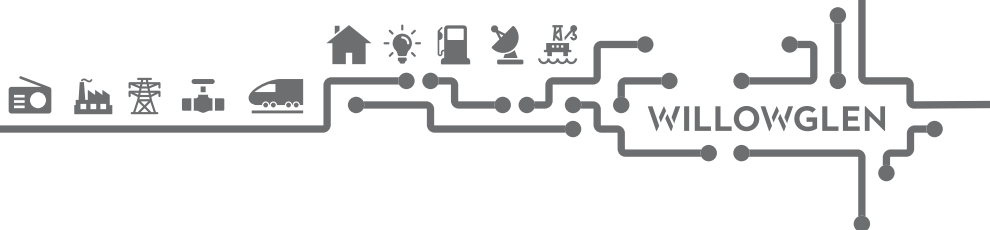
##### (i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

#### (a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

#### (i) Financial assets (Continued)

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- Amortised cost

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- Fair value through profit or loss (FVPL)

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

#### (a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

#### (i) Financial assets (Continued)

##### Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

#### (ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

##### Financial liabilities at fair value through profit or loss

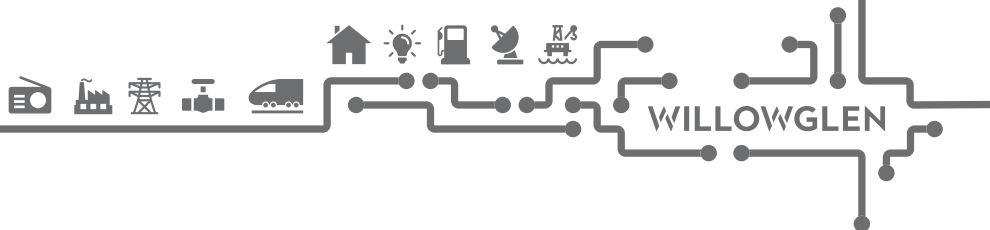
Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

##### Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

#### (b) 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 recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

#### (c) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) 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.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

#### (d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive the cash flows from the financial asset expire, or
- (ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (Continued)

#### (d) Derecognition (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

#### (e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

### 3.5 Property, plant and equipment

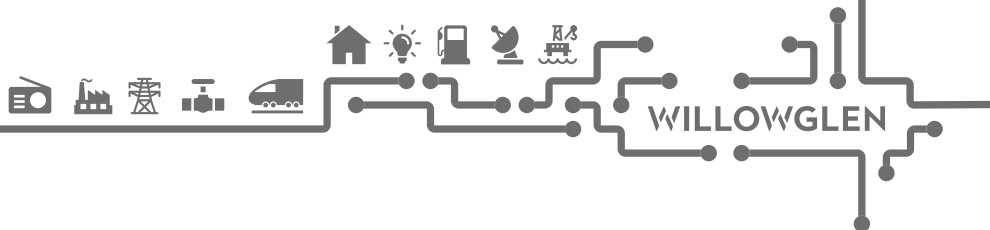
#### (a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, plant and equipment (Continued)

#### (b) Subsequent costs

The cost of replacing a 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 or the Company 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.

#### (c) Depreciation

Freehold land has an indefinite useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal annual depreciation rates are as follows:

Shoplots/Building	2%
Furniture and fittings	10% - 20%
Office equipment	10% - 25%
Motor vehicles	12.5% - 20%
Computers	20% - 33.33%
Renovation	10%

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

#### Accounting policies applied until 31 December 2018

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

#### (d) Derecognition

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 recognised in profit or loss.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases

#### (a) Definition of lease

##### Accounting policies applied from 1 January 2019

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

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

##### Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

#### (b) Lessee accounting

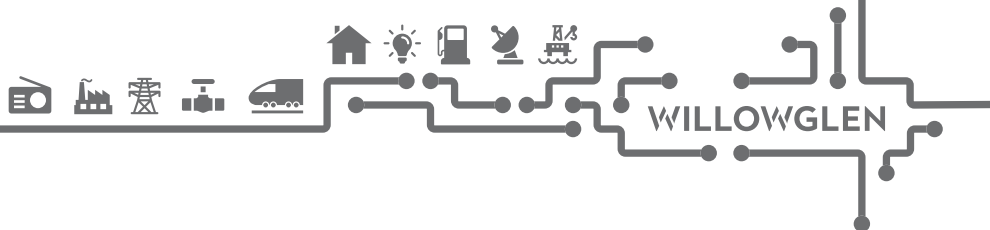
##### Accounting policies applied from 1 January 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets and lease liabilities as separate lines in the statements of financial position.

##### Right-of-use asset

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



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

#### (b) Lessee accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

Right-of-use asset (Continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

#### (b) Lessee accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

Lease liability (Continued)

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

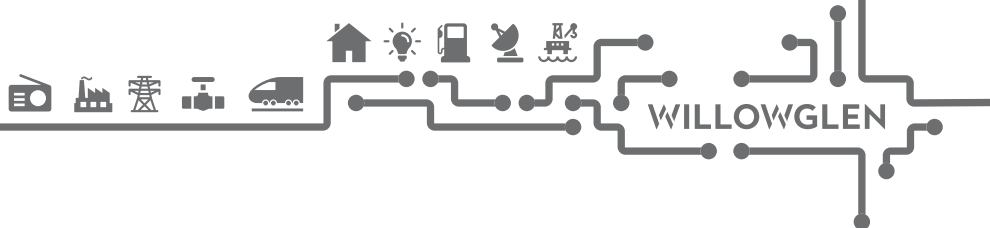
The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

#### (b) Lessee accounting (Continued)

##### Accounting policies applied until 31 December 2018 (Continued)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

#### (c) Lessor accounting

##### Accounting policies applied from 1 January 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.6(a) to the financial statements, then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Leases (Continued)

#### (c) Lessor accounting (Continued)

##### Accounting policies applied from 1 January 2019 (Continued)

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

### 3.7 Inventories

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

Costs is determined using the weighted average cost 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 of completion and the estimated costs necessary to make the sale.

### 3.8 Contract assets/(liabilities)

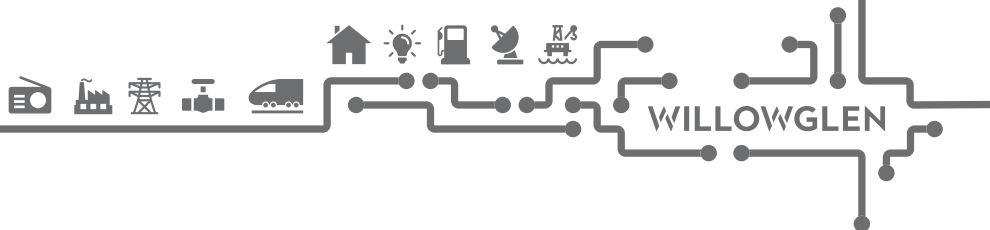
Contract assets is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements.

Contract liabilities is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

### 3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets

#### (a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets, a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets (Continued)

#### (a) Impairment of financial assets and contract assets (Continued)

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

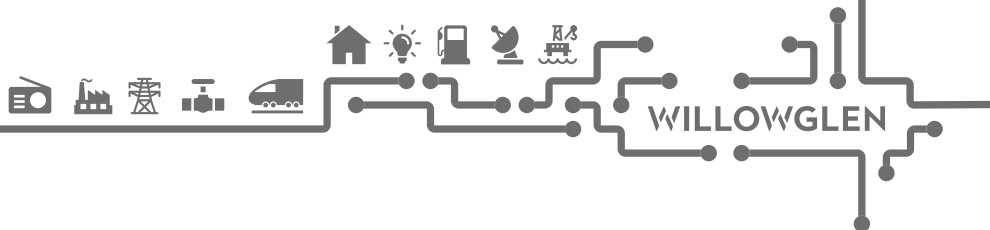
Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets (Continued)

#### (b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal 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 risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

### 3.11 Share capital

#### (a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Employee benefits

#### (a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

#### (b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

#### (c) Defined benefit plans

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 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.

#### (d) Employee leave entitlements

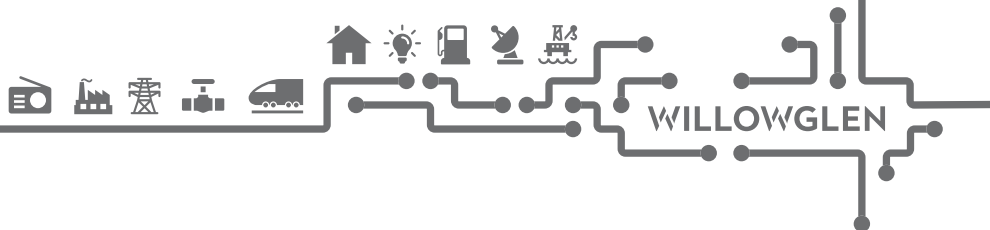
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected as a result of service rendered by employees up to the end of the financial year.

### 3.13 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

#### Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Revenue and other income (Continued)

#### (i) Construction contracts

Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control of the asset is transferred over time as the Group create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to-date bear to the estimated total construction costs (an input method).

Sales are made with a credit term of 30 to 60 days, therefore, no element of financing is deemed present. The Group become entitled to invoice customers based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to-date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to-date and any deposit or advances received from customers then the Group recognise a contract liability for the difference.

#### (ii) Dividend income

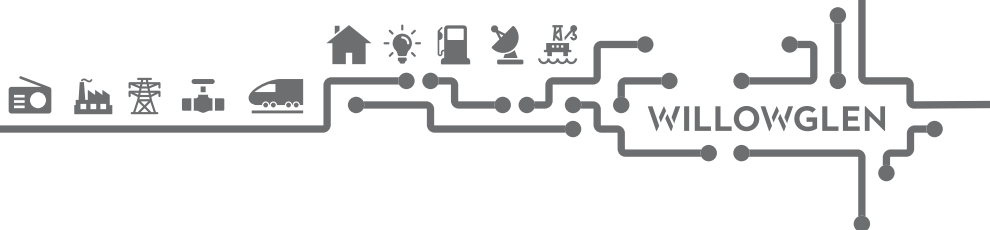
Dividend income is recognised when the right to receive payment is established.

#### (iii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

#### (iv) Interest income

Interest income is recognised using the effective interest method.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred capital grant in the statements of financial position and is amortised to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### 3.16 Income tax

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

#### (a) Current tax

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

#### (b) Deferred tax

Deferred tax is recognised 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 statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.





# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Income tax (Continued)

#### (b) Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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 and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

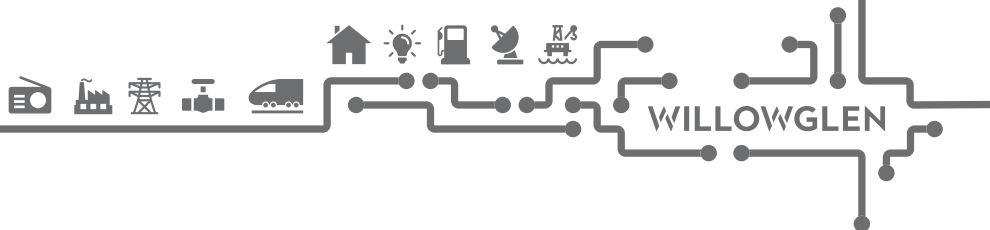
Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

#### (c) Sales and services tax

Revenues, expenses and assets are recognised net of amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales and services tax included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

### 3.18 Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

### 3.19 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 future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

### 3.20 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.20 Fair value measurements (Continued)

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

There was no transfer between levels of the fair value hierarchy during the financial year.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

### (a) Construction contracts

The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluate based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 12 to the financial statements.

### (b) Significant influence over investee

The Company holds a 60% equity interest in Willowglen System Inc. ("WSI"). The Company has no representation on the Board of Directors of WSI and has entered into an agreement with another shareholder that the Company will not actively participate in the strategic policy decisions in WSI's Executive Committee meetings. On that basis of these facts, the Company concludes that it does not exercise significant influence over WSI and thus treats WSI as an investment in associate.

The information on the investment in associate are disclosed in Note 8 to the financial statements.



# Notes to the FINANCIAL STATEMENTS (cont'd)

## 5. PROPERTY, PLANT AND EQUIPMENT

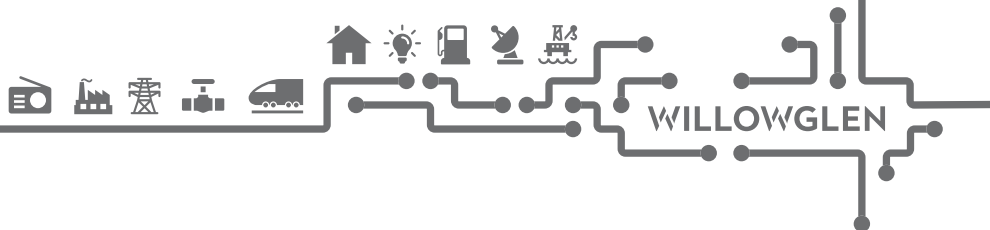
Group	Long term leasehold lands	Buildings/Shoplots	Furniture and fittings	Office equipment	Motor vehicles	Computers	Renovation	Assets under construction	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	3,237	4,880	1,262	1,811	4,147	6,465	5,294	378	27,474
- As previously reported	(3,237)	-	-	-	-	-	-	-	(3,237)
- Effect of adoption of MFRS 16	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2019	-	4,880	1,262	1,811	4,147	6,465	5,294	378	24,237
Additions	-	-	10	65	435	433	24	135	1,102
Disposal	-	-	-	-	(113)	(3)	-	-	(116)
Written off	-	-	-	(15)	-	(1,095)	-	-	(1,110)
Transfer	-	513	-	-	-	-	-	(513)	-
Exchange differences	-	-	2	2	5	6	7	-	22
At 31 December 2019	-	5,393	1,274	1,863	4,474	5,806	5,325	-	24,135
<b>Accumulated depreciation</b>									
At 1 January 2019	358	710	603	1,228	2,365	5,377	1,756	-	12,397
- As previously reported	(358)	-	-	-	-	-	-	-	(358)
- Effect of adoption of MFRS 16	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2019	-	710	603	1,228	2,365	5,377	1,756	-	12,039
Depreciation charge for the financial year	-	112	90	134	462	580	677	-	2,055
Disposal	-	-	-	-	(113)	(1)	-	-	(114)
Written off	-	-	-	(15)	-	(1,094)	-	-	(1,109)
Exchange differences	-	-	1	2	2	5	1	-	11
At 31 December 2019	-	822	694	1,349	2,716	4,867	2,434	-	12,882
<b>Carrying amount</b>									
At 1 January 2019 (Adjusted)	2,879	4,170	659	583	1,782	1,088	3,538	378	15,077
At 31 December 2019	-	4,571	580	514	1,758	939	2,891	-	11,253



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Long term leasehold land RM'000	Buildings/ Shopslots RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computers RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2018	3,237	4,880	1,194	1,809	4,353	6,492	5,125	378	27,468
Additions	-	-	74	183	1,048	309	176	-	1,790
Disposal	-	-	(4)	(177)	(1,246)	(328)	-	-	(1,755)
Written off	-	-	-	(1)	-	-	-	-	(1)
Exchange differences	-	-	(2)	(3)	(8)	(8)	(7)	-	(28)
At 31 December 2018	3,237	4,880	1,262	1,811	4,147	6,465	5,294	378	27,474
<b>Accumulated depreciation</b>									
At 1 January 2018	313	598	507	1,235	3,042	5,064	1,070	-	11,829
Depreciation charge for the financial year	45	112	100	170	534	637	686	-	2,284
Disposal	-	-	(2)	(174)	(1,204)	(318)	-	-	(1,698)
Written off	-	-	-	(1)	-	-	-	-	(1)
Exchange differences	-	-	(2)	(2)	(7)	(6)	-	-	(17)
At 31 December 2018	358	710	603	1,228	2,365	5,377	1,756	-	12,397
<b>Carrying amount</b>									
At 1 January 2018	2,924	4,282	687	574	1,311	1,428	4,055	378	15,639
At 31 December 2018	2,879	4,170	659	583	1,782	1,088	3,538	378	15,077



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings/ Shoplots RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers RM'000	Renovation RM'000	Total RM'000
<b>Company Cost</b>						
At 1 January 2019	2,397	61	117	1,857	128	4,560
Additions	–	1	–	80	–	81
Written off	–	–	(1)	–	–	(1)
At 31 December 2019	2,397	62	116	1,937	128	4,640
<b>Accumulated depreciation</b>						
At 1 January 2019	200	59	73	1,643	115	2,090
Depreciation charge for the financial year	48	1	8	95	8	160
Written off	–	–	(1)	–	–	(1)
At 31 December 2019	248	60	80	1,738	123	2,249
<b>Carrying amount</b>						
At 1 January 2019	2,197	2	44	214	13	2,470
At 31 December 2019	2,149	2	36	199	5	2,391
<b>Cost</b>						
At 1 January 2018	2,397	61	117	1,859	128	4,562
Additions	–	–	–	7	–	7
Written off	–	–	–	(9)	–	(9)
At 31 December 2018	2,397	61	117	1,857	128	4,560
<b>Accumulated depreciation</b>						
At 1 January 2018	152	58	64	1,536	105	1,915
Depreciation charge for the financial year	48	1	9	115	10	183
Written off	–	–	–	(8)	–	(8)
At 31 December 2018	200	59	73	1,643	115	2,090
<b>Carrying amount</b>						
At 1 January 2018	2,245	3	53	323	23	2,647
At 31 December 2018	2,197	2	44	214	13	2,470

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 6. RIGHT-OF-USE ASSETS

The Group lease several assets and the information about leases of the Group as lessee is presented below:

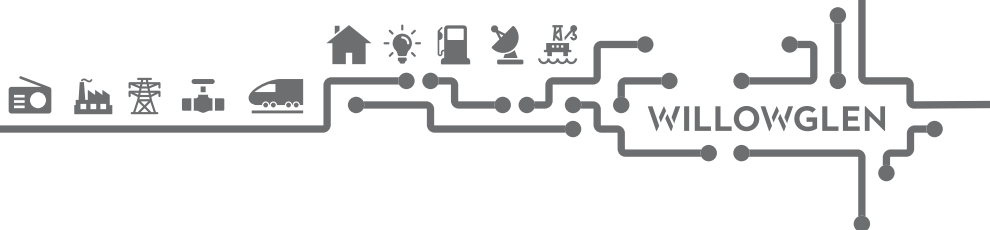
	Leasehold land RM'000	Office Space RM'000	Total RM'000
<b>Group</b>			
<b>Carrying amount</b>			
At 1 January 2019			
- As previously reported	—	—	—
- Effect of adoption of MFRS 16	2,879	5,182	8,061
Adjusted balance at 1 January 2019	2,879	5,182	8,061
Depreciation	(45)	(1,415)	(1,460)
Exchange differences	—	11	11
At 31 December 2019	2,834	3,778	6,612

The leasehold land generally has lease terms of 63 years and the office space have lease terms between 8 to 33 months.

## 7. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
<b>At cost</b>		
Unquoted shares	35,946	35,946
Less: Impairment loss	(2,248)	(2,248)
	33,698	33,698
Add: Loans that are part of net investments	17,108	13,662
	50,806	47,360

Loans that are part of net investments represent amount owing by subsidiaries which are non-trade in nature, unsecured and non-interest bearing except for amount due from a subsidiary with amount of RM10,209,793 (2018: RM6,778,863) which is subject to interest at the rate ranging from 4.7% to 5.0% (2018: 4.5% to 4.6%) per annum on a monthly basis. The settlement of these amounts is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiary. As this amount is, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment loss, if any.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of Company	Principal place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Willowglen (Malaysia) Sdn. Bhd.	Malaysia	100	100	Sale, 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	Computer system integration activities and installation of building automation systems for remote monitoring
Sentinel Systems Sdn. Bhd.	Malaysia	70	70	Sales, implementation and maintenance of control room and CCTV solutions
PT Willowglen Indonesia*>	Indonesia	50.08	50.08	Trading, hardware and software consulting services
WG Tech Sdn. Bhd.	Malaysia	100	100	Dormant
Willowglen Limited*	British Virgin Island	100	100	Investment holding
<b>Subsidiaries of Willowglen Services Pte. Ltd.</b>				
Willowglen Asia Pte Limited*	Hong Kong	100	100	Investment holding
WLG Solutions Pte. Ltd.*	Singapore	100	100	Investment holding
<b>Subsidiary of WLG Solutions Pte. Ltd.</b>				
Willowglen Vietnam Co., Ltd.*	Vietnam	100	100	Design, supply, consultancy, installation, engineering services and maintenance of computer hardware and software

+ Audited by auditors other than Baker Tilly Monteiro Heng PLT.

\* The subsidiary is consolidated using unaudited management financial statements as it is not required to be audited under the local laws and regulations.

> The subsidiary is under liquidation process.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### 7.1. Non-controlling interest in subsidiaries

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

Equity interest held by non-controlling interests:

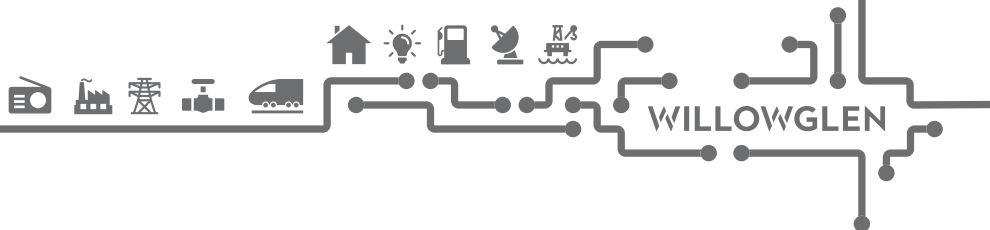
Name of Company	Principal place of business/ Country of incorporation	Effective equity interest	
		2019 %	2018 %
PT Willowglen Indonesia	Indonesia	49.92	49.92
Sentinel Systems Sdn. Bhd.	Malaysia	30	30

Carrying amount of material non-controlling interests:

	2019 RM'000	2018 RM'000
PT Willowglen Indonesia	574	529
Sentinel Systems Sdn. Bhd.	(183)	(186)
	391	343

Profit or loss allocated to material non-controlling interests:

	2019 RM'000	2018 RM'000
PT Willowglen Indonesia	28	(2)
Sentinel Systems Sdn. Bhd.	3	(17)
	31	(19)



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### 7.2. Summarised financial information of material non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

	PT Willowglen Indonesia		Sentinel Systems Sdn. Bhd.	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Summarised statements of financial position</b>				
<b>As at 31 December</b>				
Non-current assets	-	-	6	12
Current assets	1,155	1,066	418	17
Current liabilities	(5)	(6)	(1,035)	(650)
Net assets/(liabilities)	1,150	1,060	(611)	(621)
<b>Summarised statements of comprehensive income</b>				
<b>Financial year ended 31 December</b>				
Revenue	-	151	417	-
Total comprehensive profit/(loss) for the financial year	57	(4)	10	(55)
<b>Summarised cash flow information</b>				
<b>Financial year ended 31 December</b>				
Cash flows (used in)/generated from operating activities	(6)	288	(14)	15
Cash flows from investing activities	-	2	-	-
Net (decrease)/increase in cash and cash equivalents	(6)	290	(14)	15
Dividends paid to non-controlling interests	-	-	-	-

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 8. INVESTMENT IN ASSOCIATES

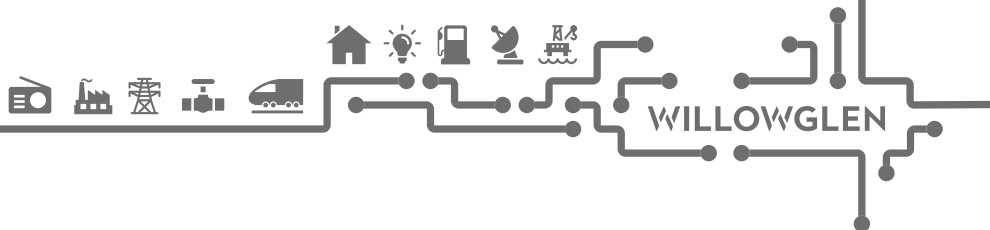
	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost	13,264	13,204	210	150
Share of post-acquisition reserves	2,484	1,830	-	-
	15,748	15,034	210	150

Details of the associates are as follows:

Name of Company	Principal place of business/ Country of incorporation	Group's effective equity interest		Group's effective voting interest		Principal activities
		2019 %	2018 %	2019 %	2018 %	
Secura Malaysia Sdn. Bhd.	Malaysia	50	50	50	50	Providing cyber security, homeland security, security consultancy, security systems integration and other security products and services
Austral Willowglen Sdn Bhd.	Malaysia	30	30	30	30	Sales, distribution, implementation, maintenance and consultancy of information communication technologies, internet of things and industrial system deployment
<b>Interest held through Willowglen Asia Pte Limited</b>						
Willowglen Systems Inc. +	Canada	60	60	49	49	Development and sale of industrial automation and related products

+ Audited by auditors other than Baker Tilly Monteiro Heng PLT.

Although the Group hold more than half of the effective equity interest in Willowglen Systems Inc. ("WSI") and less than half of the voting rights in the entity, the directors have determined that the Group do not control the entity as the Group do not have substantive rights over the investee and on the basis that the remaining voting rights were not widely dispersed. Consequently, the investment has been accounted for as investment in associate.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 8. INVESTMENT IN ASSOCIATES (CONTINUED)

### 8.1. Summarised financial information of material associates

The following table illustrates the summarised financial information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

Group 2019	Willowglen System Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	Austral Willowglen Sdn. Bhd. RM'000
<b>Assets and liabilities:</b>			
Non-current assets	30,413	-	-
Current assets	22,152	295	196
Non-current liabilities	(11,499)	-	-
Current liabilities	(15,149)	(3)	(23)
Net assets	25,917	292	173
<b>Results:</b>			
Profit/(Loss) for the financial year	1,098	(2)	(14)
<b>Included in the total comprehensive income is:</b>			
Revenue	30,822	-	-

	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	Austral Willowglen Sdn. Bhd. RM'000	Total RM'000
<b>Reconciliation of net assets to carrying amount:</b>				
Cost of investment	11,695	150	60	11,905
Bargain purchase gain on acquisition of an associate	1,359	-	-	1,359
Carrying amount at fair value	13,054	150	60	13,264
Share of post-acquisition profit/(loss)	2,496	(4)	(8)	2,484
Carrying amount in the statements of financial position	15,550	146	52	15,748
Group's share of results:				
Group's share of profit/(loss)	659	(1)	(4)	654

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 8. INVESTMENT IN ASSOCIATES (CONTINUED)

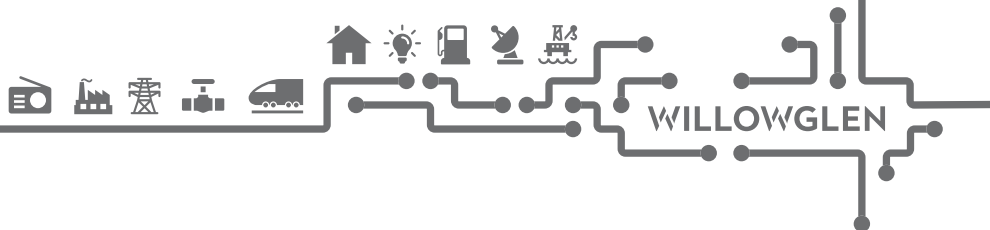
### 8.1. Summarised financial information of material associates (Continued)

The following table illustrates the summarised financial information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates (Continued).

Group 2018	Willowglen System Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	Austral Willowglen Sdn. Bhd. RM'000
<b>Assets and liabilities:</b>			
Non-current assets	28,734	-	-
Current assets	18,563	300	-
Non-current liabilities	(10,711)	-	-
Current liabilities	(11,768)	(6)	(12)
Net assets/(liabilities)	24,818	294	(12)
<b>Results:</b>			
Profit/(Loss) for the financial year/period	1,701	(2)	(12)
<b>Included in the total comprehensive income is:</b>			
Revenue	25,337	-	-

	Willowglen Systems RM'000	Secura Malaysia Sdn. Bhd. RM'000	Austral Willowglen Sdn. Bhd. RM'000	Total RM'000
<b>Reconciliation of net assets to carrying amount:</b>				
Cost of investment	11,695	150	-	11,845
Bargain purchase gain on acquisition of an associate	1,359	-	-	1,359
Carrying amount at fair value	13,054	150	-	13,204
Share of post-acquisition profit/(loss)	1,837	(3)	(4)	1,830
Carrying amount in the statements of financial position	14,891	147	(4)	15,034
<b>Group's share of results:</b>				
Group's share of profit/(loss)	1,021	(1)	(4)	1,016



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 9. INVESTMENT SECURITIES

	2019 RM'000	2018 RM'000
<b>Group</b>		
<b>Financial assets at fair value through other comprehensive income ("FVOCI")</b>		
<b>At fair value:</b>		
- Debt securities		
At 1 January	6,880	7,007
Acquisition during the financial year	-	1,637
Disposal during the financial year	(758)	(1,490)
Exchange differences	22	(13)
Fair value changes	188	(261)
At 31 December	6,332	6,880

## 10. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-current:</b>					
<b>Non-trade</b>					
Other receivable	(a)	1,807	1,858	-	-
<hr/>					
<b>Current:</b>					
<b>Trade</b>					
Trade receivables		24,922	29,805	147	-
Retention sum		4,221	3,949	-	-
<hr/>					
		29,143	33,754	147	-
		(231)	-	-	-
<hr/>					
Less: Impairment losses	(b)	28,912	33,754	147	-

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

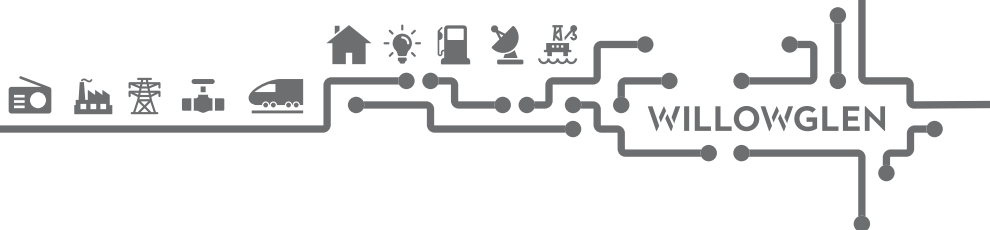
	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-trade</b>					
Other receivables	(c)	641	782	34	191
Deposits		264	443	5	5
Prepayments		2,634	1,677	1	2
GST refundable		1	4	1	4
		3,540	2,906	41	202
Total trade and other receivables (current)		32,452	36,660	188	202
Total trade and other receivables (non-current and current)		34,259	38,518	188	202

- (a) Included in the other receivable is the non-trade amount due from an associate of the Group is unsecured, subject to interest at 5% (2018: 5%) per annum and repayable over 181 months from 2017 to 2032.
- (b) Trade receivables are non-interest bearing and the normal credit terms offered by the Group ranging from 30 days to 90 days (2018: 30 days to 60 days) from the date of invoices. 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.
- (c) Included in other receivables is an amount of RM56,219 (2018: RM50,021) due from associates of the Group is unsecured, subject to interest at 5% per annum, repayable over 181 months from April 2017 to May 2032. All the other receivables balances of the Group and of the Company are unsecured, non-interest bearing and repayable on demand.

## 11. INVENTORIES

	2019 RM'000	2018 RM'000
<b>At Cost</b>		
Consumables	2,602	2,777

- (a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM40,475,051 (2018: RM29,965,440).
- (b) During the financial year, the provision for stock obsolescence to their net realisable values for the Group amounted to RM 18,074 (2018: RM33,754).



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 12. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2019 RM'000	2018 RM'000
Contract assets relating to construction service contracts	38,498	32,910
Contract liabilities relating to construction service contracts	(9,549)	(7,277)

### (a) Significant changes in contract balances

	Group			
	2019		2018	
	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000
Revenue recognised that was included in contract liability at the beginning of the financial year	-	7,412	-	7,918
Transfers from contract assets recognised at the beginning of the period to receivables	32,397	-	55,510	-

### (b) Revenue recognised in relation to contract balances

	Group	
	2019 RM'000	2018 RM'000
Revenue recognised that was included in contract liability at the beginning of the financial year	7,412	7,918

Revenue recognised that was included in the contract liability balance at the beginning of the year represented primarily recognition of revenue from project when percentage of completion increases.





# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 13. AMOUNT DUE FROM SUBSIDIARIES

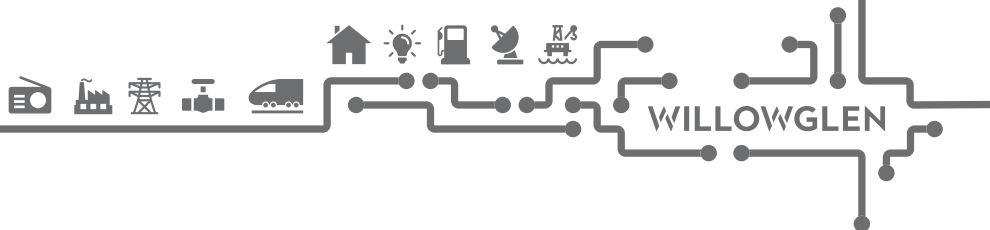
	Company	
	2019 RM'000	2018 RM'000
Amount due from subsidiaries		
Trade	252	209
Non-trade	690	669
	942	878
Less: Impairment losses	(659)	(649)
	283	229

The normal trade credit granted to the subsidiaries is 30 days (2018: 30 days).

The amount due from subsidiaries are unsecured, repayable on demand, non-interest bearing and is expected to be settled by cash.

## 14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits placed with licensed banks	22,232	17,604	655	639
Time deposits	9,439	3,039	-	-
Short term investments	11,788	5,038	11,788	5,038
Cash and bank balances	38,747	42,860	1,144	809
<b>Cash and cash equivalents as reported in statements of financial position</b>	<b>82,206</b>	<b>68,541</b>	<b>13,587</b>	<b>6,486</b>
Less: Pledged deposits	(1,549)	(1,508)	(655)	(639)
Time deposits	(9,439)	(3,039)	-	-
<b>Cash and cash equivalents as reported in statements of cash flows</b>	<b>71,218</b>	<b>63,994</b>	<b>12,932</b>	<b>5,847</b>



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 14. CASH AND CASH EQUIVALENTS (CONTINUED)

Included in the fixed deposits placed with licensed banks of the Group and the Company are an amount of RM1,549,110 and RM654,834 (2018: RM1,507,821 and RM638,594) respectively, which have been pledged to licensed bank as securities for banking facilities granted to the Group and the Company.

Fixed deposits and short-term investments are made for varying periods of between 1 day to 90 days depending on the immediate cash requirements of the Group and of the Company. The weighted average effective interest rates as at 31 December 2019 for the Group and the Company were 2.3% and 3.4% (2018: 2.3% and 3.6%) respectively.

Time deposits are deposits placed with licensed bank for periods more than 3 months and the weighted average effective interest rates as at 31 December 2019 for the Group is 2%. Time deposits are not pledged to any financial institutions and withdrawable upon demand.

## 15. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
<b>Issued and fully paid up:</b>				
At 1 January	496,000	29,240	248,000	29,240
Issued during the financial year:				
- Bonus issue	-	-	248,000	-
At 31 December	496,000	29,240	496,000	29,240

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

In the previous financial year, the Company issued 248,000,000 new ordinary shares by way of issuance bonus issue on the basis of one (1) new ordinary share for every one (1) existing ordinary shares held in the Company on 11 June 2018.

The new ordinary shares issued in the previous financial year ranked pari passu in all respects with the existing shares of the Company.

As at 31 December 2019, of the total 496,000,000 (2018: 496,000,000) issued and fully paid ordinary shares 9,416,800 (2018: 9,416,800) ordinary shares are currently held as treasury shares by the Company as disclosed in Note 16 to the financial statements. The number of outstanding shares on issue after the share repurchased is 486,583,200 (2018: 486,583,200).

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 16. TREASURY SHARES

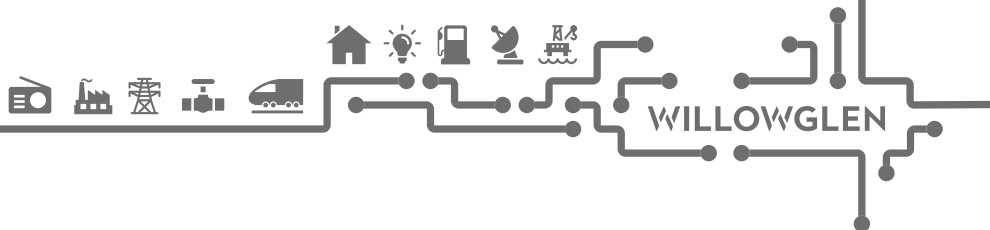
	Group and Company			
	2019		2018	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
At 1 January	9,416	1,747	4,673	1,714
Issued during the financial year:				
- Bonus issue	-	-	4,673	-
Shares repurchased during the financial year	-	-	70	33
At 31 December	9,416	1,747	9,416	1,747

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares in current financial year.

The details of repurchased of treasury shares in previous financial year were as follows:

	Number of Shares Repurchased Unit	Lowest RM	Price per share Highest RM	Average RM	Total Consideration RM
<b>31.12.2018</b>					
December 2018	70,000	0.433	0.508	0.465	32,554



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 17. RESERVES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Merger deficit	(7,585)	(7,585)	-	-
Foreign currency translation reserve	14,716	14,513	-	-
Fair value reserve	11	(177)	-	-
Retained earnings	129,997	119,993	39,456	28,972
	137,139	126,744	39,456	28,972

### 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 reserve

This reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income (FVOCI) until the investments are derecognised or impaired.

The Group and the Company have elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 9 to the financial statement. These changes are accumulated within the fair value reserve of financial assets at FVOCI. The Group and the Company transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

### Retained earnings

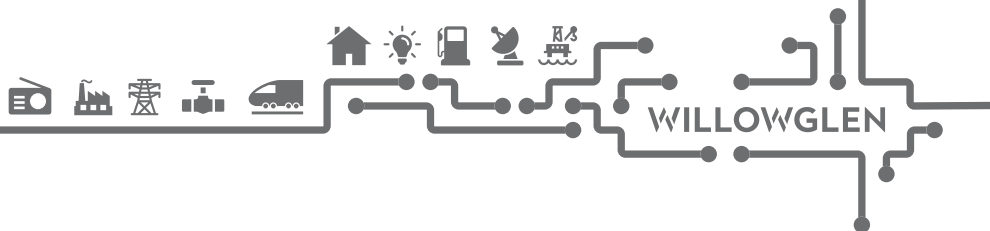
The Company may distribute dividends of its entire retained earnings under single-tier system.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 18. LEASE LIABILITIES

	2019 RM'000
<b>Group</b>	
<b>Carrying amount</b>	
Current liabilities	
- less than 1 year	1,363
Non-current liabilities	
- between 1 to 2 years	2,506
	<hr/>
At 31 December 2019	3,869
	<hr/>
The lease liabilities of the Group bear interest at rates ranging from 2.38% to 8.20% per annum respectively.	
	2019 RM'000
<b>Group</b>	
At 1 January 2019	
- As previously reported	-
- Effect of adoption of MFRS 16	5,182
	<hr/>
Adjusted balance at 1 January 2019	5,182
Interest expense	105
Lease payments	
- Principal portion	(1,324)
- Interest portion	(105)
Exchange differences	11
	<hr/>
At 31 December 2019	3,869
	<hr/>



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 19. PROVISIONS

	Maintenance warranties RM'000	Reinstatement costs RM'000	Provision for unutilised leave RM'000	Provision for foreseeable losses RM'000	Total RM'000
<b>Group</b>					
At 1 January 2019	271	758	267	2	1,298
Recognised in profit or loss	219	-	242	-	461
Utilised during the financial year	(139)	-	-	-	(139)
Reversed during the financial year	-	-	(267)	-	(267)
Exchange differences	-	2	-	-	2
At 31 December 2019	351	760	242	2	1,355
<b>2019</b>					
Non-current	-	760	-	-	760
Current	351	-	242	2	595
	351	760	242	2	1,355
<b>2018</b>					
Non-current	-	758	-	-	758
Current	271	-	267	2	540
	271	758	267	2	1,298

### Maintenance warranties

The provision for maintenance warranties represent the present value of the directors' best estimates of future economic obligation that will be required under the Group's obligation for warranties on its products and services. The provision is recognised based on estimation made from historical warranty data with similar products.

### 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.

### Provision for unutilised leave

The provision for unutilised leave represents the leave entitlement by employees not utilised at the end of the financial year.

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 20. DEFERRED TAX LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Deferred tax liabilities	115	115

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.

Recognised deferred tax liabilities are attributable to the following:

	Company	
	2019 RM'000	2018 RM'000
Accelerated capital allowance	243	243
Provisions	(128)	(128)
	115	115

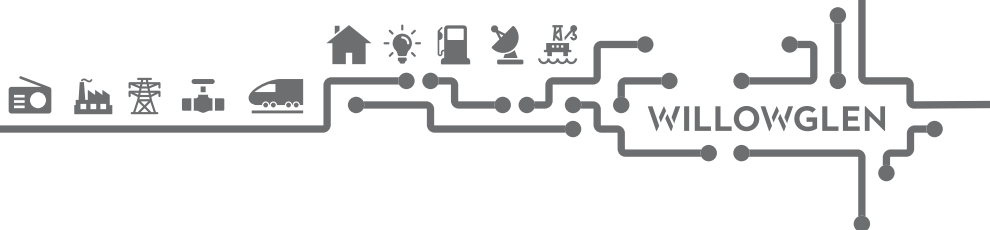
### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	25,956	19,867	9,221	9,221
Unclaimed capital allowance	1,752	1,386	794	728
Deductible temporary difference	1,319	1,205	898	837
	29,027	22,458	10,913	10,786
Potential deferred tax assets not recognised at 24%	6,966	5,390	2,619	2,589

Pursuant to Section 11 of the Finance Act 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment. This section takes effect from the year of assessment 2019.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 20. DEFERRED TAX LIABILITIES (CONTINUED)

The unused tax losses are available indefinitely for offset against future taxable profits of the Group except for certain unused tax losses which will expire in the following financial years:

	Group RM'000	Company RM'000
2025	19,867	9,221
2026	6,089	-

## 21. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Trade</b>					
Trade payables	(a)	9,718	8,178	-	-
<b>Non-trade</b>					
Other payables		542	527	429	384
GST payables		591	1,553	-	-
Accruals		2,589	2,606	122	128
	(b)	3,722	4,686	551	512
Total trade and other payables		13,440	12,864	551	512

(a) Trade payables are non-interest bearing and normal credit terms granted to the Group and the Company range from 30 days to 60 days (2018: 30 days to 60 days).

(b) Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (2018: 30 days to 60 days).

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 33(b)(ii) to the financial statements.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 22. REVENUE

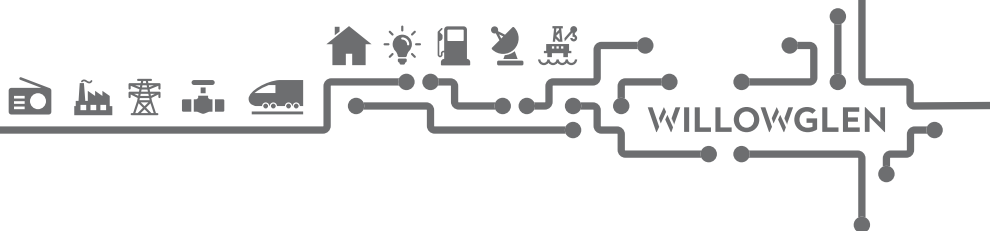
Revenue comprises mainly income from supply of computer-based control systems and provision of the related installation and maintenance services.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract revenue	104,114	101,623	-	-
Maintenance contracts	33,628	32,951	-	-
Miscellaneous income	1,596	65	2,793	2,047
	139,338	134,639	2,793	2,047

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Timing of revenue recognition :</b>				
At a point in time	4,742	35,128	2,793	2,047
Over time	134,596	99,511	-	-
	139,338	134,639	2,793	2,047

## 23. FINANCE COSTS

	2019 RM'000
<b>Group</b>	
Interest expenses on:	
- lease liabilities	105
- other	1
	106



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 24. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving profit before tax:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After charging:				
Auditors' remuneration:				
- Malaysian operations				
- current year	81	71	51	45
- prior year	19	8	15	(3)
- Overseas operations				
- current year	106	91	-	-
Non statutory audit fees:				
- Malaysian operations	9	9	9	9
Directors' remuneration (Note 25)	5,652	5,569	245	145
Staff costs:				
- salaries, allowances and bonuses	43,644	41,743	1,647	1,667
- defined contribution plans	5,217	5,720	168	169
- socso	97	100	15	12
- EIS	11	11	1	1
Impairment losses:				
- amount due from subsidiaries	-	-	10	98
- investment in subsidiaries	-	-	-	171
- trade receivables	231	-	-	-
Waiver of debt from amount owing by a subsidiary	-	-	-	11,000
Bad debt written off	284	1,139	-	-
Loss on foreign exchange:				
- realised	63	186	-	3
- unrealised	5	16	-	-
Rental of offices	-	1,340	-	5
Expense relating to short-term and low value asset	17	-	6	-
Depreciation of:				
- property, plant and equipment	2,055	2,284	160	183
- right-of-use assets	1,460	-	-	-
Loss on disposal of property, plant and equipment	1	-	-	-
Property, plant and equipment written off	1	-	-	1
Provision for stock obsolescence	18	34	-	-

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 24. PROFIT BEFORE TAX (CONTINUED)

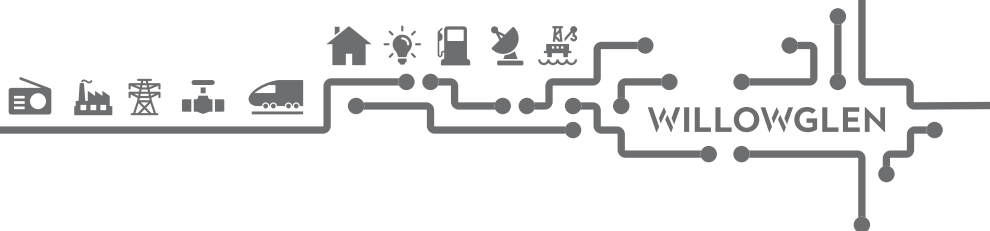
Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving profit before tax (Continued):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
And crediting:				
Dividend income from a subsidiary	-	-	15,163	14,948
Income from:				
- loan and receivables	1,135	615	302	708
- investment securities	259	253	-	-
Gain on foreign exchange:				
- unrealised	-	-	10	-
Gain on disposal of property, plant and equipment	-	326	-	-
Rental income	-	-	26	156
Government grants	-	183	-	-

## 25. DIRECTORS' REMUNERATION

The details of directors' remuneration during the year are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Executive directors</b>				
Fees	91	60	91	60
Salaries, bonus and other emoluments	4,775	4,778	-	-
Defined contribution plan	632	646	-	-
	5,498	5,484	91	60
<b>Non-executive directors</b>				
Fees	154	85	154	85
	5,652	5,569	245	145



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 26. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2019 and 2018:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Current income tax</b>				
- current year	(4,265)	(4,163)	-	-
- prior year	2 74	(198)	-	-
Total income tax expense	(3,991)	(4,361)	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) 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 year of assessment 2019 (2018: 17%).

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

The reconciliations from the tax amount at the statutory income tax rate to Group's and the Company's tax expense are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	18,892	15,450	15,350	3,729
Tax at Malaysia statutory income tax rate of 24% (2018: 24%)	(4,534)	(3,708)	(3,684)	(895)
Effect of tax rate in foreign jurisdiction	1,787	1,745	-	-
Share of results of associates	157	244	-	-
Adjustments:				
- non-deductible expenses	(459)	(364)	(77)	(2,780)
- non-taxable income	144	138	3,698	3,590
- deferred tax assets not recognised on tax losses and temporary differences	(1,576)	(2,295)	(30)	(33)
- group relief	(25)	-	93	118
- tax exemption	52	107	-	-
- other items	189	(30)	-	-
- adjustment in respect of current income tax of prior years	274	(198)	-	-
Income tax expense	(3,991)	(4,361)	-	-



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 27. EARNINGS PER SHARE

The basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year, calculated as follows:

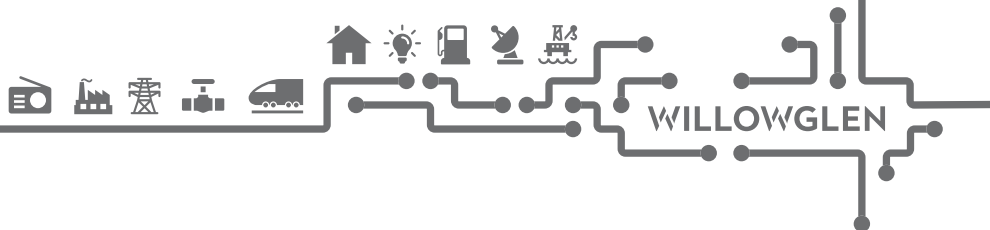
	2019 RM'000	2018 RM'000
Profit attributable to owners of the Company	14,870	11,108
Weighted average number of ordinary shares for basic earnings per share	486,584	486,584
Basic earnings per ordinary share (sen)	3.06	2.28

The basic and diluted earnings per ordinary share are equal as the Group does not have dilutive potential ordinary shares as at the reporting date.

## 28. DIVIDENDS

	Group and Company	
	2019 RM'000	2018 RM'000
<b>Recognised during the financial year:</b>		
Dividends on ordinary shares:		
First and final single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018, approved by shareholders at the Annual General Meeting on 2 May 2019 and paid on 17 June 2019	4,866	-
Dividends on ordinary shares:		
First and final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2017, paid on 20 June 2018	-	4,867

A first and final single-tier dividend of 1.5 sen per ordinary share, amounting to RM7,298,748 in respect of the current financial year, has been approved by the Board of Directors on 26 February 2020. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in the equity as an appropriation of retained earnings in the financial year ending 31 December 2020 after the distribution has been made.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 29. OPERATING LEASE COMMITMENTS

The future minimum rental payable under non-cancellable operating lease at the reporting date is as follows:

	<b>Group 2018 RM'000</b>
Not later than one year	1,425
Later than one year but not later than five years	3,996
	<hr/> 5,421 <hr/>

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

## 30. CAPITAL COMMITMENTS

The Group have made commitments for the following capital expenditures:

	<b>Group 2019 RM'000</b>	<b>2018 RM'000</b>
Property, plant and equipment	124	460
	<hr/>	<hr/>

## 31. RELATED PARTIES

### (a) Identification of related parties

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.

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

The Group and the Company has a related party relationship with its subsidiaries, associates, related parties and key management personnel.

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 31. RELATED PARTIES (CONTINUED)

### (b) Significant related party transactions

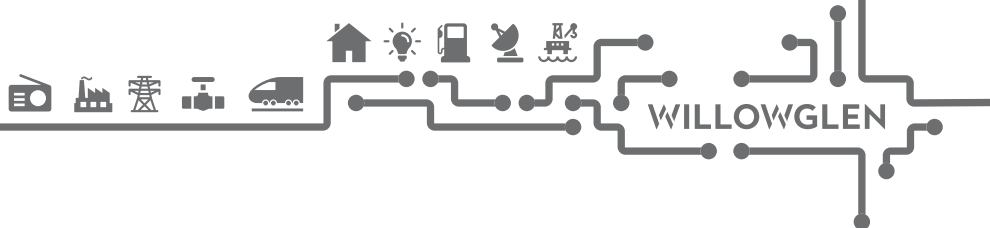
Significant related party transactions other than as disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Subsidiaries</b>				
Sale of goods	-	-	1,001	322
Provision of engineering services	-	-	443	543
Technical advisory fees charged	-	-	1,211	1,175
Rental income	-	-	26	156
Interest income	-	-	64	635
Dividend income	-	-	15,163	14,948
<b>Associates</b>				
Interest income	92	152	-	-
Purchase of goods	333	1,094	-	-
<b>Related parties</b>				
Sale of goods	287	242	-	-
Purchase of goods	13	260	-	-

### (c) Key management personnel remuneration

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 25)	5,652	5,569	245	145
Other key management personnel:				
Salaries, bonuses and allowances	4,965	4,630	491	492
Contribution to defined contribution plans	466	457	59	59
	5,431	5,087	550	551
	11,083	10,656	795	696



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 32. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on internal reports of the Group's strategic business units which are regularly reviewed by the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment.

The Group's reportable operating segments which is based on geographical areas are as follows:

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

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

Indonesia : trading, hardware and software consulting services.

Others : investment holdings.

Inter-segment pricing is determined on negotiated basis.

### Segment profit

Segment performance is used to measure performance as Group's chief operating decision maker believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these geographical areas. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

### Segment assets

The total of segment asset is measured based on all assets (excluding investment in associates, current and deferred tax assets) of a segment, as included in the internal reports that are reviewed by the Group's operating decision maker.

The amounts of addition to non-current assets is excluding financial instruments and deferred tax assets.

### Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Group's operating decision maker. Hence, no disclosures are made on liabilities.

### 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

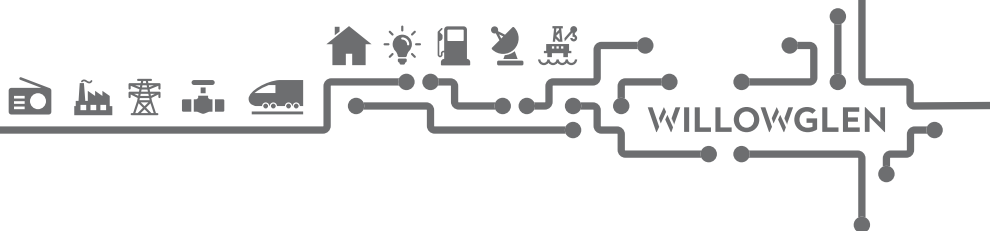
Major customers' information is revenues from transactions with a single external customer amount to ten percent or more of the Group's revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 32. SEGMENT INFORMATION (CONTINUED)

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Notes	Total RM'000
<b>2019</b>							
<b>Revenue:</b>							
External customers	25,500	113,838	-	-	-		139,338
Inter-segment	2,740	2,539	-	-	(5,279)	A	-
<b>Total revenue</b>	<b>28,240</b>	<b>116,377</b>	<b>-</b>	<b>-</b>	<b>(5,279)</b>		<b>139,338</b>
<b>Results:</b>							
Interest income	356	776	65	261	(64)		1,394
Interest expense	(72)	(97)	-	(1)	64		(106)
Impairment loss on:							
- amount due from subsidiaries	(10)	-	-	-	10		-
- trade receivables	(231)	-	-	-	-		(231)
Depreciation							
- property, plant and equipment	(829)	(1,226)	-	-	-		(2,055)
- right of use assets	(110)	(1,350)	-	-	-		(1,460)
Share of results of associates	-	-	-	-	654		654
<b>Segment profit</b>	<b>7,605</b>	<b>25,531</b>	<b>57</b>	<b>199</b>	<b>(14,500)</b>	<b>B</b>	<b>18,892</b>
Income tax expense	-	(3,991)	-	-	-		(3,991)
<b>Profit for the financial year</b>	<b>7,605</b>	<b>21,540</b>	<b>57</b>	<b>199</b>	<b>(14,500)</b>	<b>B</b>	<b>14,901</b>
<b>Assets:</b>							
Investment in associates	198	-	-	15,550	-		15,748
Additions to non-current assets	758	5,526	-	-	-		6,284
<b>Segment assets</b>	<b>104,526</b>	<b>136,811</b>	<b>1,154</b>	<b>8,185</b>	<b>(68,914)</b>	<b>C</b>	<b>181,762</b>
<b>Geographical information:</b>							
Revenue by geographical location of customers	24,405	113,838	-	1,095	-		139,338
Non-current assets	60,455	10,445	-	6,332	(51,228)	C	26,004
<b>Major customers</b>	<b>-</b>	<b>29,855</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>29,855</b>



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 32. SEGMENT INFORMATION (CONTINUED)

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Europe RM'000	Others RM'000	Adjustments and Elimination RM'000	Notes	Total RM'000
<b>2018</b>								
<b>Revenue:</b>								
External customers	22,912	111,576	151	-	-	-		134,639
Inter-segment	2,045	419	-	-	-	(2,464)	A	-
<b>Total revenue</b>	<b>24,957</b>	<b>111,995</b>	<b>151</b>	<b>-</b>	<b>-</b>	<b>(2,464)</b>		<b>134,639</b>
<b>Results:</b>								
Interest income	756	442	43	-	262	(635)		868
Interest expense	(635)	-	-	-	-	635		-
Impairment loss on:								
- investment in subsidiaries	(171)	-	-	-	-	171		-
- amount due from subsidiaries	(98)	-	-	-	-	98		-
Waiver of amount owing by a subsidiary	(11,000)	-	-	-	-	11,000		-
Depreciation	(1,079)	(1,196)	(9)	-	-	-		(2,284)
Share of results of associates	-	-	-	-	-	1,016		1,016
<b>Segment profit/(loss)</b>	<b>4,184</b>	<b>24,930</b>	<b>(3)</b>	<b>-</b>	<b>173</b>	<b>(13,834)</b>	<b>B</b>	<b>15,450</b>
Income tax expense	-	(4,361)	-	-	-	-		(4,361)
<b>Profit/(Loss) for the financial year</b>	<b>4,184</b>	<b>20,569</b>	<b>(3)</b>	<b>-</b>	<b>173</b>	<b>(13,834)</b>	<b>B</b>	<b>11,089</b>
<b>Assets:</b>								
Investment in associates	143	-	-	-	14,891	-		15,034
Additions to non-current assets	363	1,427	-	-	-	-		1,790
<b>Segment assets</b>	<b>96,295</b>	<b>123,788</b>	<b>1,066</b>	<b>-</b>	<b>19,742</b>	<b>(76,188)</b>	<b>C</b>	<b>164,703</b>
<b>Geographical information:</b>								
Revenue by geographical location of customers	21,485	111,577	445	1,132	-	-		134,639
Non-current assets	43,852	7,525	-	-	18,574	(46,136)		23,815
Major customers	-	32,518	-	-	-	-		32,518



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 32. SEGMENT INFORMATION (CONTINUED)

Nature of elimination to arrive at amounts reported in the consolidated financial statements:

- (A) Inter-segment revenue are eliminated on consolidation;
- (B) Inter-segment revenue and expenses are eliminated on consolidation; and
- (C) Inter-segment balances are eliminated on consolidation.

Information about major customer

	2019 RM'000	2018 RM'000
<b>Singapore</b>		
Customer I	29,855	32,518

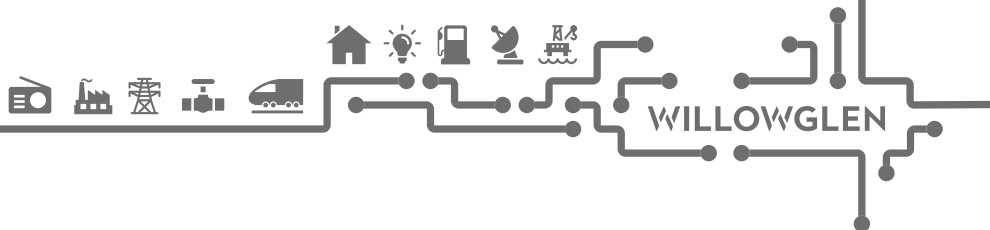
## 33. FINANCIAL INSTRUMENTS

### (a) Categories of Financial Instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

- (i) Fair value through other comprehensive income ("FVOCI")
- (ii) Amortised cost

	Carrying Amount RM'000	Amortised cost RM'000	FVOCI RM'000
<b>At 31 December 2019</b>			
<b>Financial Assets</b>			
<b>Group</b>			
Investment securities	6,332	-	6,332
Contract assets	38,498	38,498	-
Trade and other receivables*	31,624	31,624	-
Cash and cash equivalents	82,206	82,206	-
	158,660	152,328	6,332
<b>Company</b>			
Trade and other receivables*	186	186	-
Amount due from subsidiaries	283	283	-
Cash and cash equivalents	13,587	13,587	-
	14,056	14,056	-
<b>Financial Liabilities</b>			
<b>Group</b>			
Trade and other payables^	(12,849)	(12,849)	-
<b>Company</b>			
Trade and other payables^	(551)	(551)	-



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Categories of Financial Instruments (Continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (Continued):

- (i) Fair value through other comprehensive income ("FVOCI") (Continued)
- (ii) Amortised cost (Continued)

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000
<b>At 31 December 2019</b>			
<b>Financial Assets</b>			
<b>Group</b>			
Investment securities	6,880	-	6,880
Contract assets	32,910	32,910	-
Trade and other receivables*	36,837	36,837	-
Cash and cash equivalents	68,541	68,541	-
	145,168	138,288	6,880
<b>Company</b>			
Trade and other receivables*	196	196	-
Amount due from subsidiaries	229	229	-
Cash and cash equivalents	6,486	6,486	-
	6,911	6,911	-
<b>Financial Liabilities</b>			
<b>Group</b>			
Trade and other payables^	(11,311)	(11,311)	-
<b>Company</b>			
Trade and other payables^	(512)	(512)	-

\* Exclude prepayments and GST refundable

^ Exclude GST payable

### (b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company use derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

#### Trade receivables and contract assets

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

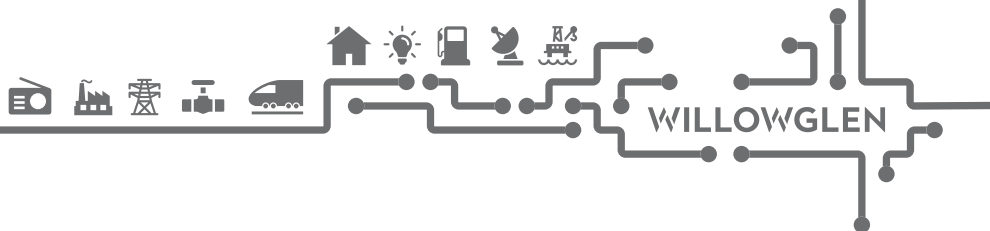
The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

#### Credit risk concentration profile

The Group and the Company determine the credit risk concentration of its trade receivables and contract assets by industry sector profile on an ongoing basis. The credit risk concentration profile of the Group's and of the Company's trade receivables and contract assets at the reporting date are as follows:

#### Trade receivables

	Group				Company			
	2019 RM'000	%	2018 RM'000	%	2019 RM'000	%	2018 RM'000	%
<b>By country:</b>								
Malaysia	11,037	37.9%	13,278	39.3%	147	100%	-	0.0%
Singapore	18,105	62.1%	20,054	59.4%	-	0.0%	-	0.0%
Indonesia	1	0.0%	3	0.0%	-	0.0%	-	0.0%
Europe	-	0.0%	419	1.2%	-	0.0%	-	0.0%
	29,143	100%	33,754	100%	147	100%	-	100%



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit risk (Continued)

##### Trade receivables and contract assets (Continued)

##### Credit risk concentration profile (Continued)

The Group and the Company determine the credit risk concentration of its trade receivables and contract assets by industry sector profile on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables and contract assets at the reporting date are as follows (Continued):

##### Contract assets

By country	Group		2018	
	2019	%	2018	%
	RM'000		RM'000	
Malaysia	12,865	33.4%	10,680	32.5%
Singapore	25,633	66.6%	22,230	67.5%
	38,498	100%	32,910	100%

The Group and the Company apply the simplified approach to provide for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information.

Note	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Contract assets</b>	38,498	32,910	-	-
<b>Trade receivables</b>				
Neither past due nor impaired	18,136	18,033	147	-
1 to 30 days past due not impaired	3,111	3,562	-	-
31 to 60 days past due not impaired	2,275	3,680	-	-
61 to 90 days past due not impaired	1,132	1,029	-	-
More than 90 day past due not impaired	4,258	7,450	-	-
	10,776	15,721	-	-
Individually impaired	a	-	-	-
	231	-	-	-
	29,143	33,754	147	-

(a) Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit risk (Continued)

##### Trade receivables and contract assets (Continued)

##### Credit risk concentration profile (Continued)

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	2019 RM	2018 RM
<b>Group</b>		
At 1 January		
Impaired	(230,984)	-
At 31 December	(230,984)	-

##### Other receivables and other financial assets

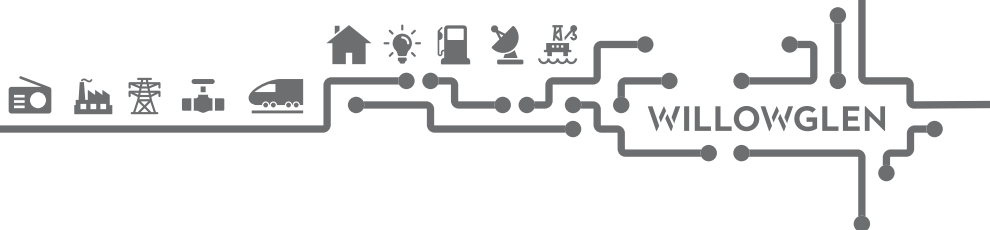
For other receivables and other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.10(a) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit risk (Continued)

##### Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM82,477,870 (2018: RM45,960,820) representing the outstanding banking facilities of the Company and its subsidiaries as at the end of the reporting period. As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee as there was no indication that any subsidiary would default on repayment.

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

#### (ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables.

The Group and the Company maintain 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 analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On demand or within 1 year</b>				
Trade and other payables	13,440	12,864	551	512
Financial guarantee contracts	-	-	82,478	45,961
<b>Total undiscounted financial liabilities</b>	<b>13,440</b>	<b>12,864</b>	<b>83,029</b>	<b>46,473</b>



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

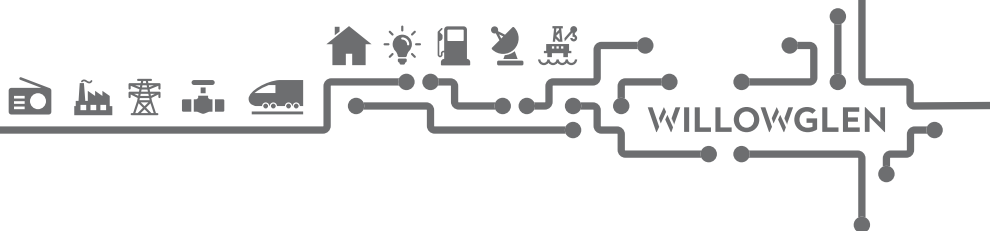
#### (iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries and associate. The currencies giving rise to this risk are primarily United States Dollar, Euro Dollar, Canadian Dollar and British Pound.

The Group manages the net exposure to foreign currency risks by monitoring the exposure to such risks on an ongoing basis. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	Group				Company	
	2019		2018		2019	2018
	Functional currency		Functional currency		Functional currency	
	RM	SGD	RM	SGD	RM	RM
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currencies:						
<b>Cash and cash equivalents</b>						
United States Dollar	-	4,932	-	773	-	-
Euro Dollar	-	4,186	-	-	-	-
	-	9,118	-	773	-	-
<b>Trade and other receivables</b>						
United States Dollar	147	557	-	540	147	-
Euro Dollar	299	-	419	-	-	-
Canadian Dollar	-	1,854	-	1,903	-	-
	446	2,411	419	2,443	147	-
<b>Trade and other payables</b>						
United States Dollar	-	3,584	-	106	-	-
Euro Dollar	-	175	-	-	-	-
Canadian Dollar	-	-	-	897	-	-
British Pound	-	743	-	121	-	-
	-	4,502	-	1,124	-	-



# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (iii) Foreign currency risk (Continued)

##### Sensitivity analysis for foreign currency risk

The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ("USD"), British Pound ("GBP"), Canadian Dollar ("CAD") and Euro Dollar ("EURO").

The following table demonstrated the sensitivity to a reasonably change possible change in the USD, GBP, CAD and EURO, with all other variables held constant of the Group's and of the Company's total profit for the financial year.

	Change in rate	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
		Effect on profit or loss		Effect on profit or loss	
USD	+ 10%	156	92	11	-
	- 10%	(156)	(92)	(11)	-
GBP	+ 10%	(56)	(9)	-	-
	- 10%	56	9	-	-
CAD	+ 10%	141	76	-	-
	- 10%	(141)	(76)	-	-
EURO	+ 10%	328	32	-	-
	- 10%	(328)	(32)	-	-

#### (iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates.

The Group manage the net exposure to interest rate risk by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweighs the potential risk of interest rate fluctuation.

##### Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's and Company's total equity and profit for the financial year.

# Notes to the FINANCIAL STATEMENTS *(cont'd)*

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (iv) Interest rate risk (continued)

Group/Company	Change in basis point %	Effect on profit for the financial year RM'000	Effect on equity RM'000
31 December 2019	+100 -100	(118) 118	(90) 90
31 December 2018	+100 -100	(50) 50	(38) 38

### (c) Fair value measurement

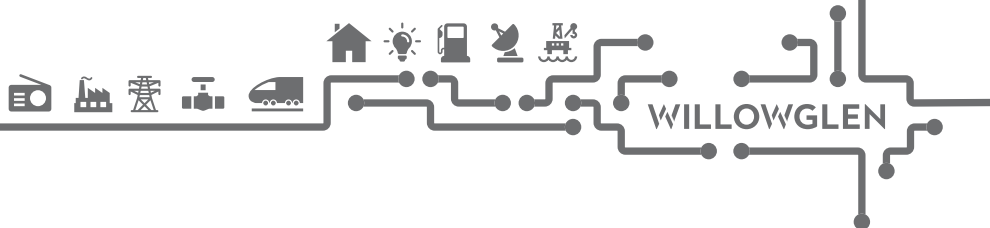
The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying amount RM'000	Fair value measurement using		
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>2019</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other receivables	1,863	-	1,863	-
Investment securities	6,332	6,332	-	-
<b>2018</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other receivables	1,908	-	1,908	-
Investment securities	6,880	6,880	-	-

There were no transfer between Level 1 and Level 2 during the current and previous financial years (2018: no transfer in either directions).

The Group and the Company do not have any financial liabilities carried at fair value nor any financial liabilities classified as Level 3 as at 31 December 2019 and 31 December 2018.



# Notes to the **FINANCIAL STATEMENTS** *(cont'd)*

## **34. CAPITAL MANAGEMENT**

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2019 and 31 December 2018.

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

## **35. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

### **Coronavirus outbreak**

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

Statement by  
**DIRECTORS** (Pursuant to Section 251(2) of the Companies 2016)

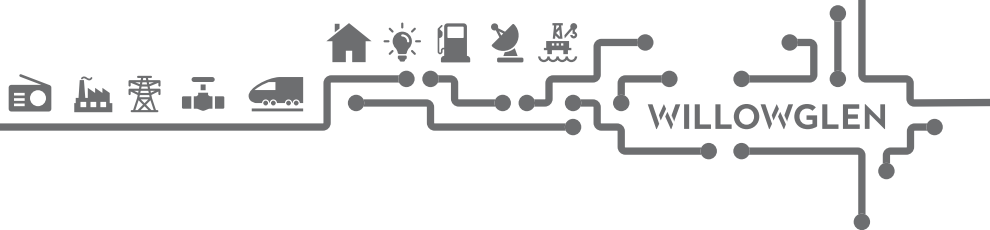
We, **WONG AH CHIEW** and **SIMON WONG CHU KEONG**, being two of the directors of Willowglen MSC Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 62 to 146 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

.....  
**WONG AH CHIEW**  
Director

.....  
**SIMON WONG CHU KEONG**  
Director

Date: 12 May 2020



## Statutory

# DECLARATION (Pursuant to Section 251(1) of the Companies 2016)

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 accompanying financial statements set out on pages 62 to 146 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**  
MIA Membership No. : 19192

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 12 May 2020.

Before me,

.....  
Dr T. Yokheswarem (W540)  
Commissioner for Oaths  
Unit A11-1 & 2, Megan Avenue 1  
No. 189, Jalan Tun Razak  
50400 Kuala Lumpur

# Independent Auditors' Report to the Members of **WILLOWGLEN MSC BERHAD** (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Willowglen MSC Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and 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 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company of the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Group

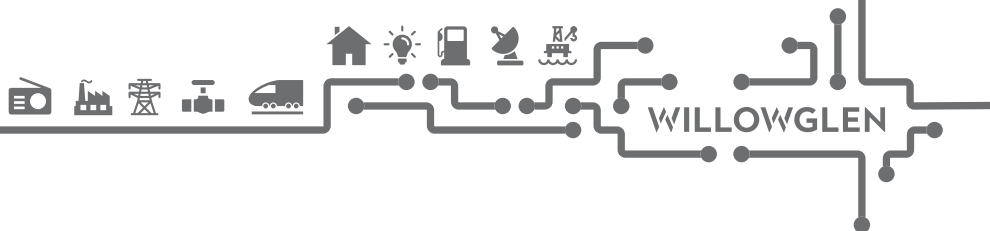
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#### Accounting for Contracts (Note 4(a), 12 and 22 to the financial statements)

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The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction 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. Therefore, the amount of contract revenue, contract costs and its corresponding contract assets and contract liabilities recognised in a year is affected by a variety of uncertainties that depend on the outcome of future events.



# Independent Auditors' Report to the Members of **WILLOWGLEN MSC BERHAD** (*cont'd*) (Incorporated in Malaysia)

## Our audit response:

Our audit procedures on the sample of selected projects included, among others;

- reading the terms and conditions of agreements with customers to determine that revenue recognition is consistent with the requirements of MFRS 15 *Revenue from Contracts with Customers*;
- understanding the design and the implementation of controls in recording project costs, preparing project budgets and calculating the stage of completion;
- discussing the progress of the projects and expected outcome with respective project directors to obtain an understanding at the basis on which the estimates are made;
- agreeing the revenue for projects on a sample basis to contracts, variation orders and other correspondences;
- tested a sample of costs incurred to date to relevant documents and that they are recorded in the correct accounting period;
- reviewing the percentage of completion of the projects and checking the computation of the application of the percentage of completion of the projects to the contract revenue and contract costs recognised in the profit or loss and the corresponding contract assets and contract liabilities recognised in the statements of financial position; and
- reviewing the work of component auditors in relation to their work performed on contract accounting in accordance with ISA 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors).

## Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

## Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





# Independent Auditors' Report to the Members of **WILLOWGLEN MSC BERHAD** (*cont'd*) (Incorporated in Malaysia)

## **Responsibilities of the Directors for the Financial Statements**

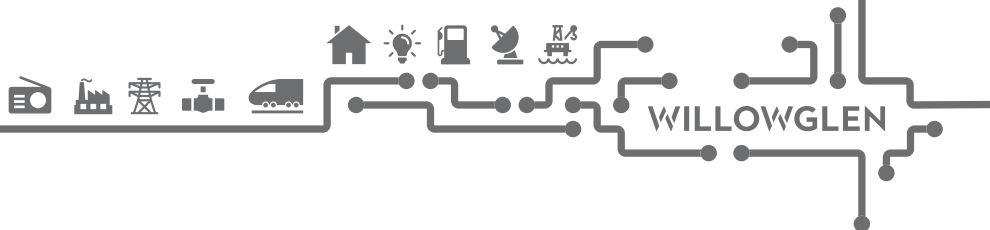
The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



# Independent Auditors' Report to the Members of **WILLOWGLEN MSC BERHAD** (*cont'd*) (Incorporated in Malaysia)

## **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



# Independent Auditors' Report to the Members of **WILLOWGLEN MSC BERHAD** (*cont'd*) (Incorporated in Malaysia)

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

## Other Matters

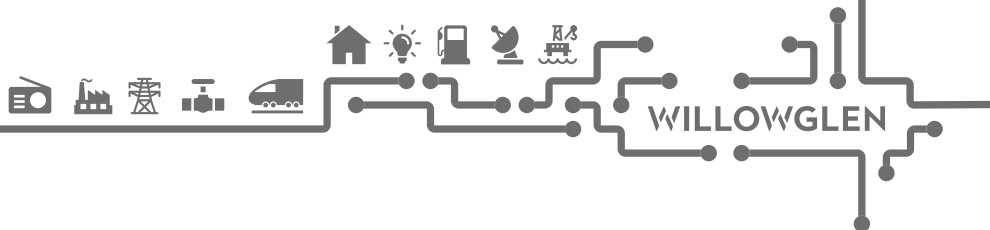
This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT  
201906000600(LLP0019411-LCA) & AF 0117  
Chartered Accountants

Ng Jou Yin  
No. 03560/11/2021 J  
Chartered Accountant

Kuala Lumpur

Date: 12 May 2020



# Additional COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

## 2. MATERIAL CONTRACTS

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

## 3. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the external auditors and their affiliates by the Company and the Group for the financial year ended 31 December 2019 are as follows :-

	Group (RM'000)	Company (RM'000)
Audit Fees	206	66
Non Audit Fees	55	9

## 4. RECURRENT RELATED PARTY TRANSACTIONS OF A TRADING OR REVENUE NATURE

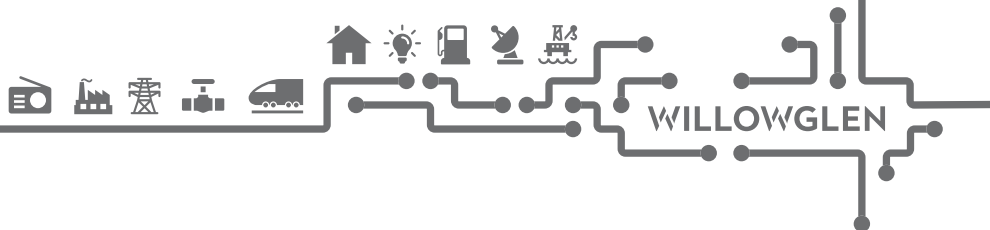
At the Twenty-First Annual General Meeting of the Company held on 2 May 2019, the Company obtained a mandate from its shareholders for recurrent related party transactions ("RRPTs") of a revenue or trading in nature with related parties.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of RRPTs conducted during the financial year ended 31 December 2019 pursuant to the shareholders' mandate are set out below:-

Willowglen and/or its subsidiaries	Transacting Parties	Nature of Transactions	Aggregate value of Transactions from 1 January 2019 to 31 December 2019 (RM)
Willowglen and its subsidiaries ("WMSC Group")	OSK Holdings Berhad and its subsidiaries ("OSK Group")	i) Supply of Group's product – SCADA Systems, Information Technology services, security and smart home system to OSK Group	6,895
		ii) Purchase of cables for Project use by WMSC Group from OSK Group	-

# List of PROPERTIES (As at 31 December 2019)

Description of Property	Existing Use	Age of Building (Years)	Land Area	Tenure	Date of Acquisition	Net Book Value / Fair Value As at 31 December 2019 (RM)
<b>Willowglen (Malaysia) Sdn. Bhd.</b>						
Two units of 3-storey terrace shop offices bearing the addresses of No. 1 & 3, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Operational office	27	246 sq. m.	93-years leasehold expiring on 19.02.2083	01.06.1999	2,358,498
Four units of 3-storey terrace shop offices bearing the addresses of No. 15 & 17, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Operational office	27	490 sq. m.	93-years leasehold expiring on 19.02.2083	30.04.2007	2,385,291
One unit of Condominium bearing the address of Unit No. A-15-10, Menara Perniagaan Manjalara, No. 99, Jalan Manjalara Idaman 6, Bandar Sri Manjalara, 52200 Kuala Lumpur	Vacant	4	75 sq. m.	99-years leasehold expiring on 25.08.2114	02.10.2017	513,285
<b>Willowglen MSC Berhad</b>						
One unit of 4-storey shop offices bearing the address of Unit No. B5-G-5, B5-1-5, B5-2-5 and B5-3-5, Danga Walk Street Mall, Danga Bay, Jalan Skudai, 80200 Johor Bahru	Operational office	13	103 sq. m.	Freehold	23.12.2014	2,149,494



# Shareholdings

## STATISTICS (As at 2 June 2020)

Total Number of Issued Shares	:	496,000,000 (including 10,214,300 treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

### ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1-99	13	0.48	136	0.00
100-1,000	229	8.53	107,044	0.02
1,001-10,000	1,338	49.83	7,201,100	1.48
10,001-100,000	948	35.31	32,153,658	6.62
100,001 – 24,289,284 *	155	5.77	135,783,074	27.95
24,289,285 and above **	2	0.07	310,540,688	63.93
<b>Total</b>	<b>2,685</b>	<b>100.00</b>	<b>485,785,700***</b>	<b>100.00</b>

Remark	-	*	Less than 5% of issued shares
	-	**	5% and above of issued shares
	-	***	Excluding 10,214,300 shares bought back by the Company and retained as treasury shares

### SUBSTANTIAL SHAREHOLDERS

According to the register required to be kept under Section 144 of the Companies Act 2016, the following are substantial shareholders of the Company:-

Substantial Shareholders	Direct Interest	No. of Shares Held		
		%	Indirect Interest	%
New Advent Sdn. Bhd.	267,605,214	55.09	-	-
Wong Ah Chiew	3,000,000	0.62	270,477,814°	55.68
Simon Wong Chu Keong	-	-	267,605,214□	55.09
OSK Technology Ventures Sdn. Bhd.	45,905,574	9.45	-	-
OSK Ventures International Berhad	-	-	66,505,574^	13.69
OSK Equity Holdings Sdn. Bhd.	-	-	66,505,574*	13.69
Tan Sri Ong Leong Huat @ Wong Joo Hwa	-	-	66,914,574∞	13.77



# Shareholdings

## STATISTICS (As at 2 June 2020) (cont'd)

### Notes:

- ° 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 Technology Ventures Sdn. Bhd.
- \* Deemed interested through OSK Ventures International Berhad
- ∞ Deemed interested through OSK Ventures International Berhad and Land Management Sdn. Bhd.

### DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	No. of Shares Held		
		%	Indirect Interest	%
Wong Ah Chiew	3,000,000	0.62	270,477,814*	55.68
Simon Wong Chu Keong	-	-	267,605,214#	55.09
Tan Jun	400,182	0.08	-	-

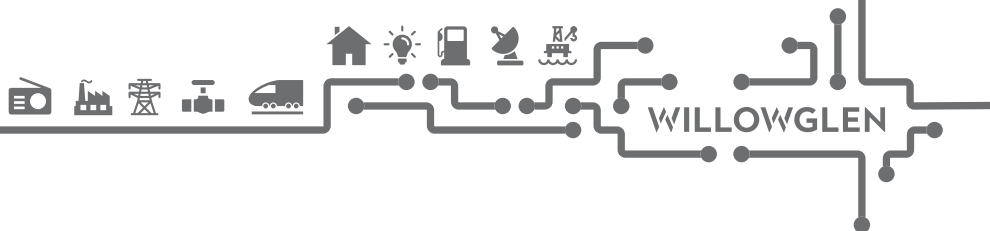
\* Deemed interested through his interest in New Advent Sdn. Bhd., Elegant Preference Sdn. Bhd., Jian Qi Holdings Sdn. Bhd., his spouse and son

# 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 2 June 2020.

### THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 2 JUNE 2020

No.	Name of Shareholders	No. of Shares	%
1	New Advent Sdn. Bhd.	267,605,214	55.09
2	OSK Technology Ventures Sdn. Bhd.	42,935,474	8.84
3	OSK Venture Equities Sdn. Bhd.	20,600,000	4.24
4	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund	12,800,000	2.63
5	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund	7,300,000	1.50
6	Lim Sin Khong	6,200,000	1.28
7	Teh Boon Wee	5,000,000	1.03
8	Lim Gaik Bway @ Lim Chiew Ah	4,983,300	1.03
9	Malta Corp. Sdn. Bhd.	4,490,000	0.92
10	Andrew Lim Cheong Seng	4,000,000	0.82
11	Teh Boon Wee	4,000,000	0.82
12	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund	3,813,600	0.79



# Shareholdings

## **STATISTICS** (As at 2 June 2020) (cont'd)

### THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 2 JUNE 2020 (continued)

No.	Name of Shareholders	No. of Shares	%
13	Khor Chai Moi	3,326,600	0.68
14	Ng Sim Tin	3,000,000	0.62
15	Wong Ah Chiew	3,000,000	0.62
16	RHB Nominees (Tempatan) Sdn. Bhd. OSK Technology Ventures Sdn. Bhd.	2,970,100	0.61
17	Lee Kok Hoong	2,041,800	0.42
18	Lee Heuk Ping	1,585,000	0.33
19	Wong Chong Ngin	1,475,000	0.30
20	Ho Liang Choon @ Ho Lian Choon	1,416,000	0.29
21	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Yeow Teng (Margin)	1,382,000	0.28
22	Wong Chu Khee	1,308,400	0.27
23	Ng Soon Gan	1,270,000	0.26
24	Tan Kin Lee	1,158,600	0.24
25	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Au Kwan Seng	1,037,000	0.21
26	Yieldforce Sdn. Bhd.	1,018,000	0.21
27	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yong Kut Sen (E-KLC)	1,000,000	0.21
28	Yong Kut Sen	887,900	0.18
29	Jian Qi Holdings Sdn. Bhd.	818,000	0.17
30	Soo Kau Moi	800,000	0.16



# Form of PROXY

# WILLOWGLEN

WILLOWGLEN MSC BERHAD  
Registration No. 199801006521 (462648-V)  
(Incorporated in Malaysia)

\*I/We, \_\_\_\_\_

\*NRIC No./Passport No./Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member of **WILLOWGLEN MSC BERHAD** hereby appoint :-

First Proxy "A"

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

\*and

Second Proxy "B"

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or the Chairman of the Meeting as \*my/our proxy, to vote for \*me/us on \*my/our behalf at the Twenty-Second Annual General Meeting ("AGM") of the Company to be held on a fully virtual basis at the Broadcast Venue: **Board Room, No. 1, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, Malaysia on Tuesday, 28 July 2020 at 10.00 a.m.** and at any adjournment thereof, in the manner indicated below:-

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To re-elect Wang Shi Tsang as Director		
2.	To re-elect Simon Wong Chu Keong as Director		
3.	To re-elect Teh Chee Hoe as Director		
4.	To approve the payment of Directors' fees of RM245,000.00 for the financial year ended 31 December 2019		
5.	To approve the payment of Directors' benefits to the Independent Non-Executive Directors up to RM40,000.00 from a day after the Twenty-Second AGM until the next AGM of the Company in year 2021		
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration		
7.	To retain Wang Shi Tsang as an Independent Non-Executive Director		
8.	To retain Alfian Bin Tan Sri Mohamed Basir as an Independent Non-Executive Director		
9.	Authority to Issue Shares pursuant to the Companies Act 2016		
10.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		
11.	Proposed Renewal of Share Buy-Back Authority		

(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.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\* Delete if not applicable

\_\_\_\_\_  
\* Signature / Common Seal of Shareholder



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Notes:

1. As no shareholders should be physically present at the broadcast venue, all shareholders are urged to attend the Meeting remotely using the Remote Participation and Voting ("RPV") facilities which are available on Securities Services e-Portal at <https://www.sshsb.net.my/login.aspx>. For further details and guidelines on RPV facilities, please refer to the Administrative Guide.
2. In respect of deposited securities, only a depositor whose name appears in the Record of Depositors as at 21 July 2020 ("**General Meeting Record of Depositors**") shall be eligible to participate the Meeting or appoint proxy(ies) to participate and/or vote in his/her stead.
3. A member entitled to participate and vote at the Annual General Meeting of the Company, shall be entitled to appoint more than one (1) proxy to participate, speak and vote in his stead. Where a member appoints more than one (1) proxy in relation to a meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.
4. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate, speak and vote at the Meeting shall have the same right as the member to participate, speak and vote at the Meeting.
5. The instrument appointing a proxy shall be in writing under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, either under Common Seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 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 its holds.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited to SS E Solutions Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting or any adjournment thereof. All the resolutions set out in this Notice are to be voted by poll. The form of proxy can also be submitted electronically via Securities Services e-Portal at <https://www.sshsb.net.my/login.aspx> before the form of proxy submission cut-off time as mentioned above. For further information on the electronic submission of form of proxy, kindly refer to the Administrative Guide.

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**SS E Solutions Sdn. Bhd.**

[Registration No. 202001010461 (1366781-T)]

Level 7, Menara Milenium

Jalan Damanlela, Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Attention : Mr. Wong Piang Yoong

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# Questions from SHAREHOLDERS

# WILLOWGLEN

WILLOWGLEN MSC BERHAD  
Registration No. 199801006521 (462648-V)  
(Incorporated in Malaysia)

The Annual General Meeting ("AGM") of Willowglen MSC Berhad will be held on a fully virtual basis on Tuesday, 28 July 2020 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 Monday, 13 July 2020.** 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. | <hr/> <hr/> <hr/> | <input type="checkbox"/> |
| 2. | <hr/> <hr/> <hr/> | <input type="checkbox"/> |
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| 4. | <hr/> <hr/> <hr/> | <input type="checkbox"/> |



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The Secretary

**Willowglen MSC Berhad**

Registration No. 199801006521 (462648-V)

No. 17 Jalan 2/149B

Taman Sri Endah

Bandar Baru Sri Petaling

57000 Kuala Lumpur

Malaysia

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# WILLOWGLEN

**WILLOWGLEN MSC BERHAD**

Registration No. 199801006521 (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

**[www.willowglen.com.my](http://www.willowglen.com.my)**