

Annual Report **2018**



WILLOWGLEN

(462648-V)

TABLE OF CONTENTS

2	Notice of Annual General Meeting
12	Statement Accompanying Notice of Annual General Meeting
13	Financial Highlights
15	Corporate Information
16	Profile of Directors
24	Profile of Key Senior Management
28	Audit Committee Report
32	Management Discussion and Analysis
35	Sustainability Statement
42	Corporate Governance Overview Statement
55	Statement on Risk Management and Internal Control

FINANCIAL STATEMENTS

59	Directors' Report
66	Statements of Financial Position
68	Statements of Comprehensive Income
70	Statements of Changes in Equity
73	Statements of Cash Flows
76	Notes to the Financial Statements
171	Statement by Directors
172	Statutory Declaration
173	Independent Auditors' Report
178	Additional Compliance Information
179	Properties
180	Shareholdings Statistics
	Form of Proxy
	Questions from Shareholders

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting (“AGM”) of the Company will be held at The Royal Selangor Golf Club, Banquet Hall, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur, Malaysia on Thursday, 2 May 2019 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 2018 together with the Reports of the Directors and Auditors thereon. **(Please refer Explanatory Note i)**
2. To approve the declaration of a final dividend of 1 sen per ordinary share under the single-tier system for the financial year ended 31 December 2018. **(Resolution 1)**
3. To re-elect the following Directors who retire pursuant to the Company’s Articles of Association and being eligible, have offered themselves for re-election:-
 - (a) Tan Jun (Article 93) **(Resolution 2)**
 - (b) Au Chun Choong (Article 93) **(Resolution 3)**
 - (c) Syed Feisal Alhady (Article 98) **(Resolution 4)**
4. To approve the payment of Directors’ fees of RM145,000.00 for the financial year ended 31 December 2018. **(Resolution 5)**
5. To approve the payment of Directors’ benefits to the Independent Non-Executive Directors up to RM32,000.00 from a day after the Twenty-First AGM until the next AGM of the Company in year 2020. **(Resolution 6)**
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. **(Resolution 7)**

As Special Business

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

7. **Ordinary Resolution**
Retention Of Mr. Wang Shi Tsang As 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 8)

*Notice Of
Annual General Meeting
(cont'd)*

8. **Ordinary Resolution**

Retention of Encik Alfian Bin Tan Sri Mohamed Basir As 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 9)

9. **Ordinary Resolution**

Authority To Issue Shares Pursuant To The Companies Act 2016

"THAT, subject always to the Companies Act 2016, the Articles of Association of the Company and the approvals of the 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 10)**

10. **Ordinary Resolution**

Proposed Renewal Of Existing 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(a) of the Circular dated 3 April 2019, 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;

Notice Of Annual General Meeting (cont'd)

whichever is the earlier.

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 such documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.” **(Resolution 11)**

11. **Ordinary Resolution**

Proposed New 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(b) of the Circular dated 3 April 2019, 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.

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 such documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.” **(Resolution 12)**

*Notice Of
Annual General Meeting
(cont'd)*

12. **Ordinary Resolution**

Proposed Renewal Of Authorisation To Enable Willowglen MSC Berhad To Purchase Its Own Shares Up To 10% Of The Total Number Of Issued Shares Of The Company

"THAT, subject to the compliance with Section 127 of the Companies Act 2016 ("**the Act**"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa 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 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 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 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 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
- (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;

Notice Of Annual General Meeting (cont'd)

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 13)**

13. **Special Resolution**
Proposed Adoption Of A New Constitution Of The Company

“THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirety with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular/Statement to Shareholders dated 3 April 2019 be and is hereby adopted as the Company’s Constitution with immediate effect.

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.” **(Resolution 14)**

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final dividend of 1 sen per ordinary share under the single-tier system for the financial year ended 31 December 2018, if approved by shareholders, will be payable on 17 June 2019 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 21 May 2019. A Depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the Depositor’s Securities Account before 4.00 p.m. on 21 May 2019 in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Tan Ley Theng (MAICSA 7030358)
Company Secretaries

Kuala Lumpur
3 April 2019

Notice Of Annual General Meeting (cont'd)

Notes:

1. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 24 April 2019 ("**General Meeting Record of Depositors**") shall be eligible to attend the Meeting or appoint proxy(ies) to attend and/or vote in his/her stead.
2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. When a member appoints more than one (1) proxy, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified. A proxy need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation.
3. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account its holds.
4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
5. The instrument appointing a proxy or proxies shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if such appointer is a corporation, under its Common Seal or the hand of its attorney duly authorised.
6. Explanatory Notes to Ordinary and Special Business
 - i. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2018 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 6

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 Twentieth Annual General Meeting of the Company held on 16 May 2018, the Company had obtained the shareholders' approval for the payment of Directors' benefits to the Independent Non-Executive Directors up to RM26,000.00 for the period from 16 May 2018 until 2 May 2019, being the appointed date of holding the Twenty-First Annual General Meeting of the Company.

Notice Of Annual General Meeting (cont'd)

The proposed Ordinary Resolution 6, if passed, will authorise the payment of the Directors' benefits to the Independent Non-Executive Directors up to an amount of RM32,000.00 with effect from a day after the Twenty-First Annual General Meeting of the Company until the next Annual General Meeting of the Company in year 2020 ("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 8

Retention of Mr. Wang Shi Tsang as Independent Non-Executive Director

Mr. 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 Mr. Wang Shi Tsang, regards him to be independent based amongst others, the following justifications and recommends that Mr. 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.
- 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.

Notice Of Annual General Meeting (cont'd)

iv. Ordinary Resolution 9

Retention of Encik Alfian Bin Tan Sri Mohamed Basir as Independent Non-Executive Director

Encik 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 Encik Alfian Bin Tan Sri Mohamed Basir, regards him to be independent based amongst others, the following justifications and recommends that Encik 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 10

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 Twentieth Annual General Meeting of the Company held on 16 May 2018 ("**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 11

Proposed Resolution for Renewal of Existing 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 3 April 2019 circulated together with this Annual Report.

vii. Ordinary Resolution 12

Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue Or Trading Nature

The proposed Ordinary Resolution if passed, will allow the Company and/or its subsidiaries to enter into a new 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.

Detailed information of the Proposed Renewal of Shareholders' Mandate is set out in Part A of the Circular/Statement to Shareholders dated 3 April 2019 circulated together with this Annual Report.

*Notice Of
Annual General Meeting
(cont'd)*

viii. Ordinary Resolution 13

Proposed Renewal of Authorisation to Enable Willowglen MSC Berhad to Purchase Its Own Shares Up To 10% of The Total Number of Issued Shares of The Company Pursuant To Section 127 of The Companies Act 2016

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 3 April 2019 circulated together with this Annual Report.

ix. Special Resolution

Proposed Adoption of A New Constitution

The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the amended Main Market Listing Requirements of Bursa Securities as well as to enhance administrative efficiency.

The proposed new Constitution is set out in the Part C of the Circular/Statement to Shareholders dated 3 April 2019 circulated together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- (a) Tan Jun
- (b) Au Chun Choong
- (c) Syed Feisal Alhady

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

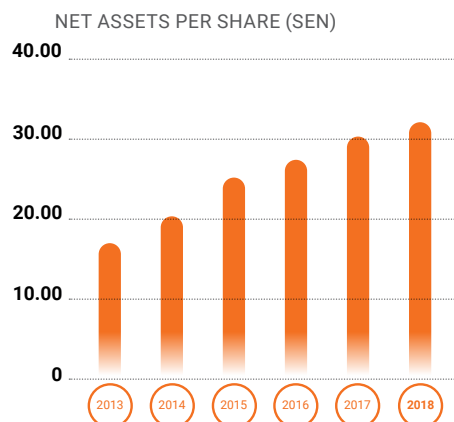
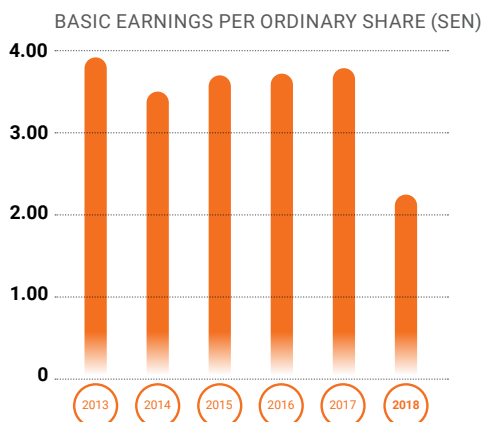
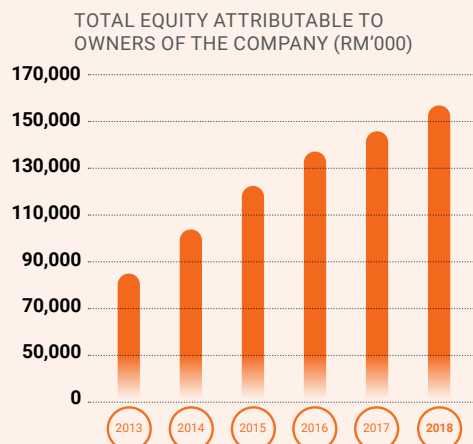
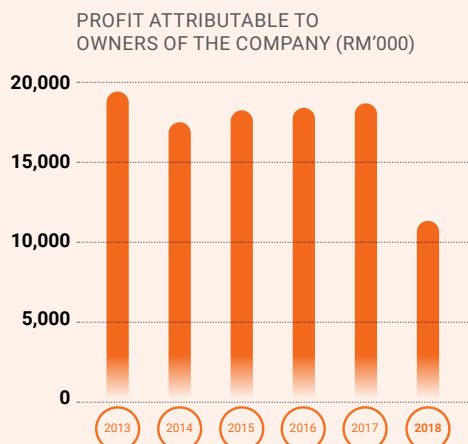
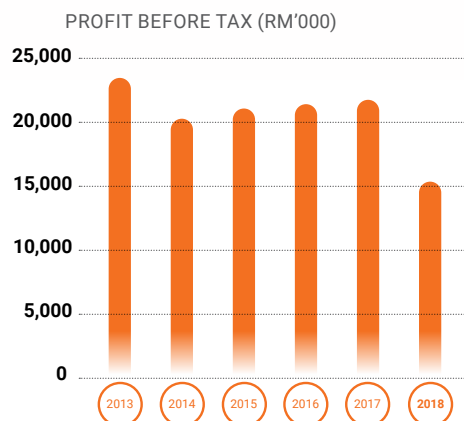
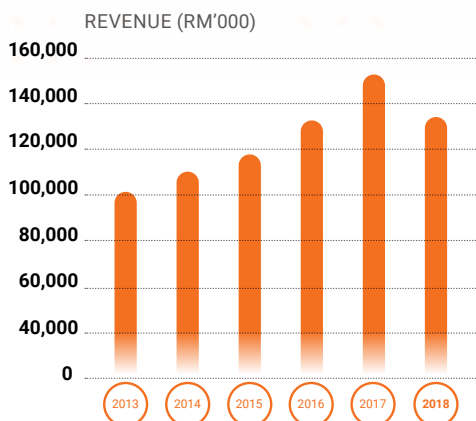
Further details of Directors who are standing for re-election are set out in the Profile of Directors of the Annual Report.

FINANCIAL HIGHLIGHTS

GROUP FINANCIAL SUMMARY	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	102,611	109,754	119,268	132,000	155,385	134,639
Profit Before Tax	23,112	20,597	21,069	21,859	22,625	15,450
Profit Attributable To Owners Of The Company	19,359	17,414	18,090	18,279	18,717	11,108
Total Assets	104,539	119,033	139,394	157,314	179,392	180,368
Total Liabilities	18,372	18,696	17,669	20,899	30,579	25,788
Total Equity Attributable To Owners Of The Company	85,867	99,635	121,587	136,607	148,426	154,237
Basic Earnings Per Ordinary Share (sen)	3.98*	3.58*	3.72*	3.76*	3.85*	2.28
Dividends Per Share (including special dividend) (sen)	1.50*	1.00*	1.00*	1.00*	1.00*	1.00
Net Assets Per Share (sen)	17.65*	20.45*	25.00*	28.07*	30.50*	31.70

* *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)



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) (Appointed on 1 September 2018)

AUDIT COMMITTEE

Wang Shi Tsang (Chairman)
Alfian Bin Tan Sri Mohamed Basir
Au Chun Choong
Teh Chee Hoe

REGISTERED OFFICE

No. 17 Jalan 2/149B
Taman Sri Endah, Bandar Baru Sri Petaling
57000 Kuala Lumpur
Tel: 03-90571228 Fax: 03-90571218

NOMINATION & REMUNERATION COMMITTEE

Alfian Bin Tan Sri Mohamed Basir (Chairman)
Wang Shi Tsang
Au Chun Choong
Teh Chee Hoe

HEAD OFFICE

No. 17 Jalan 2/149B
Taman Sri Endah, Bandar Baru Sri Petaling
57000 Kuala Lumpur
Tel: 03-90571228 Fax: 03-90571218
Email: corpinfo@willowglen.com.my
Website: www.willowglen.com.my

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

SHARE REGISTRARS

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-78490777 Fax: 03-78418151

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad

PRINCIPAL BANKERS

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

PROFILE OF DIRECTORS

ENCIK ALFIAN BIN TAN SRI MOHAMED BASIR

Male, aged 45, a Malaysian, is the **CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 9 October 2003.

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

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

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

Due to his keen interest in the ICT sector, he left Ernst & Young in 2001 to set up an ICT and management consulting firm, TradeRoof Sdn Bhd. Since then, he had ventured further into the ICT and telecommunications industry, being involved in a number of technology-based companies, 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 2018.

Profile Of Directors (cont'd)

MR. WONG AH CHIEW

Male, aged 71, a Malaysian, is the **GROUP MANAGING DIRECTOR** of the Company. He joined the Board of Directors on 20 May 1998 as First Director of the Company and resigned on 30 July 1998. On 19 June 2000, he was re-appointed to the Board of Directors and subsequently appointed as Group Managing Director on 1 August 2013.

He is a member of the Corporate Announcement & Compliance Committee 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 2018.

Profile Of Directors (cont'd)

MR. SIMON WONG CHU KEONG

Male, aged 43, a Malaysian, is the **EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 August 2013.

He is a member of the Corporate Announcement & Compliance Committee 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 2018.

Profile Of Directors (cont'd)

MS. TAN JUN

Female, aged 50, a China citizen, is the **EXECUTIVE DIRECTOR** of the Company. She 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 2018.

Profile Of Directors (cont'd)

MR. WANG SHI TSANG

Male, aged 65, a Malaysian, is the **SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 27 June 2002.

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

Mr. Wang holds a Master of Science Degree in Taxation from U.S.A. He is a Fellow of the Chartered Tax Institute of Malaysia, an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators. He is also a tax agent under the Income Tax Act, 1967 (as amended), as approved by the Minister of Finance.

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 and was responsible for problem-solving and trouble-shooting in income 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 2018.

*Profile Of Directors
(cont'd)***MR. AU CHUN CHOONG**

Male, aged 67, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 August 2013.

He is a 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 is a Non-Executive Director of Luxchem Corporation Berhad, an investment holding company with its subsidiaries involved in distribution of industrial chemicals and materials. 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 2018.

Profile Of Directors (cont'd)

MR. TEH CHEE HOE

Male, aged 44, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He 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 2018.

Profile Of Directors (cont'd)

MR. SYED FEISAL ALHADY

Male, aged 60, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 September 2018.

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

Mr. Feisal 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. (formerly known as Divtech (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. (formerly known as Tidal Consolidated Sdn. Bhd.)

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

Mr. Feisal 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. Feisal 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 one (1) Board Meetings held in the financial year ended 31 December 2018 in view that he was appointed as Independent Non-Executive Director of the Company on 1 September 2018.

PROFILE OF KEY SENIOR MANAGEMENT

CHIN SWEE MING Chief Operating Officer

Nationality/Age/
Gender:

Malaysian/51/ Female

Year of Appointment:
2018

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.

NIK AZLAN BIN NIK YUSOFF Chief Technical Officer

Nationality/Age/
Gender:

Malaysian/47/ 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.

CHEW NYUK SEONG General Manager – Finance & Corporate Secretarial

Nationality/Age/
Gender:

Malaysian/47/ 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.

Profile Of Key Senior Management (cont'd)

PHAN VEE YEE General Manager – SCADA

Nationality/Age/
Gender:

Malaysian/47/ 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 1 & Part 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/42/ Male

Year of Appointment:
2012

Academic/Professional
Qualification(s):

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

LEE MOOI SUM Senior Software Manager

Nationality/Age/
Gender:

Malaysian/46/ 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.

Profile Of Key Senior Management (cont'd)

CHEONG FONG HOON Head of Business Development Division

Nationality/Age/
Gender:
Singaporean/65/ 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/59/ 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

PATRICIA LIM PUAY TIN Head of HR/Admin Division

Nationality/Age/
Gender:
Singaporean/55/ Female

Year of Appointment:
2012

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.

Profile Of Key Senior Management (cont'd)

KOH BENG BOON Head of Purchasing/Hardware Division

Nationality/Age/
Gender:
Singaporean/60/ 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/55/ 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.

SIM HOCK SOON Head of Project Division

Nationality/Age/
Gender:
Singaporean/45/ Male

Year of Appointment:
2017

Academic/Professional
Qualification(s):

- Diploma in Electronic Engineering, Nanyang Polytechnic
- Bachelor Degree in Computer Science, Open University UK, Singapore Institute of Management (SIM)

Working Experience:

- He began his career in 1996.
- He joined Willowglen Services Pte Ltd in 2001 as Assistant Software Engineer.
- 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.

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.

AUDIT COMMITTEE REPORT

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

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

AU CHUN CHOONG
(Independent Non-Executive Director)

TEH CHEE HOE
(Independent Non-Executive Director)

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee (“AC”) is available at the Company’s website, www.willowglen.com.my.

MEETINGS

The AC held four (4) meetings during the financial year ended 31 December 2018.

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

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 2018:-

A. Financial Reporting

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

Date of Meeting	Review of Quarterly Financial Statement
27 February 2018	Fourth quarter results for the financial year ended 31 December 2017
16 May 2018	First quarter results for the financial year ended 31 March 2018
15 August 2018	Second quarter results for the financial year ended 30 June 2018
21 November 2018	Third quarter results for the financial year ended 30 September 2018

The AC carried out the review of 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 Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Subsequent to FYE 31 December 2018, the AC having reviewed the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018, recommended the same to the Board for approval.

B. External Audit

On 27 February 2018, 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 2017, 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 21 November 2018, the AC reviewed the Audit Plan for FYE 31 December 2018 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 27 February 2018 and 21 November 2018 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 2018 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 2018, 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, 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 2019 to the Board for approval by its shareholders at the forthcoming Twenty-First 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 Treasury Management, Procurement Management, Property, Plant and Equipment and Purchase to Payables.

D. Risk Management

During the AC meetings on 16 May 2018 and 15 August 2018, 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

Audit Committee Report (cont'd)

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 Securities.
- (ii) Reviewed the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature prior to its approval by the Board.

F. Other Matters

- (i) Reviewed the Circular to Shareholders in relation to the proposed renewal of authority for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company, 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.
- (iii) Reviewed and revised its Terms of Reference for compliance with the amendments of the MMLR and the Malaysian Code on Corporate Governance, for recommendation to the Board for approval.

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 Treasury Management, Procurement Management function of the Group's Malaysia operation. They have also conducted a review on the Property, Plant and Equipment and Purchase to Payables 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 plan 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 RM28,369, inclusive of disbursements (FY2017: RM26,509)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

For the financial year under review, the Group has achieved a new milestone when we were awarded a contract of approximately RM 139 million in October 2018 for the Gemas to Johor Bahru Electrified Double Track Project in terms of project size and our involvement in Railway Communication Packages.

In Singapore, we have successfully implemented Supervisory Control and Data Acquisition ("SCADA") , integrated security, personnel tracking and building information management systems in the power cable tunnel projects. Our WillowLynx software and Remote Terminal Units ("RTU") are integrated well with other third-party solutions.

As a result of our active pursuance in Smart City related opportunities and with our in-depth knowledge in lift control and monitoring, we have secured a SmartHub Singapore project. We have started to connect the national wide lift information into a datahub by using various gateways and communication protocols. Our sales and technical teams are working closely with our partners in Artificial Intelligence ("AI"), Data Analytics and Internet of Things ("IoT") to provide Prove of Concept ("POC") for various initiatives from different industries and governments.

The Vietnam operation is currently at an exploration stage where we are targeting various business opportunities including smart buildings and utilities. Due to intense competition with low margins in the Indonesia market, the Group has decided to wind up the current Indonesia operations but will continue to explore opportunities with potential partners.

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 to meet challenges and to achieve our corporate objectives.

Research and Development

Innovativeness of a company is highly linked to its R&D capability. Willowglen products and solutions drive efficiency, safety and productivity in utilities, transport and infrastructure industries.

We will continue to strengthen our R&D division by adding more resources and strengthening existing ones to build better products and solutions. Our engineers are constantly trained either via formal or informal training and knowledge sharing. They also attend various local and international conferences, exhibitions and seminars to broaden their minds and discuss and share ideas with the best in the industries.

In 2018, there were major product developments undertaken that required full commitment from all hardware and software R&D engineers. The software team is simultaneously developing two versions of WillowLynx, version 5.3 and version 7. Version 5.3 offers new features such as OPC UA, Dashboard Graphics application, as well as various enhancement to features such as Security, Historian, Reporting, TouchLynx etc. Version 7 will be the new Willowglen flagship Master SCADA software that is being developed from the ground up using the latest technology. The result will be an integrated software platform with industry leading toolset for SCADA application for various industries. The new web-based system architecture and GUI will ease configuration, improves process, track, control, display and analyze data without limits.

Willowglen RTU products are being certified for used in primary electrical substation. The certification allows RTU to be used in more complex substation automation thus opening new market locally and internationally. The hardware department together with Sales and Marketing are aggressively promoting the products in the Middle East and ASEAN region.

Management Discussion And Analysis (cont'd)

FINANCIAL REVIEW

2018 has been a very challenging year for the Group. Revenue of the Group has reduced by 13.35% to RM 134.64 million from RM 155.39 million last financial year mainly due to the Malaysia operations. Revenue of the Malaysia operations has decreased by 42.23% compared to the last financial year as a result of the delay in the implementation of both SCADA and IMS (Integrated Monitoring System) projects.

The Group's main markets continue to be Malaysia and Singapore where the Singapore operations contributed 82.87% of the Group's revenue with the balance coming from Malaysia.

The Group profit after tax reduced to RM11.09 million from RM18.66 million last year. This is mainly due to reduction of Group gross profit margin, lower turnover of the Malaysia operations and the write off of receivables by the Singapore operations of approximately RM 1.14 million.

The Group's basic earnings per ordinary share reduced to 2.28 sen as compared to 3.85 sen in 2017. Our net assets per share has increased to 31.7 sen as at 31 December 2018 from 30.5 sen in the last financial year. The basic earnings per ordinary share and net assets per share for 2017 has been restated to reflect the bonus issue which was completed on 12 June 2018.

The Group's net cash and investment securities amounted to RM 75.42 million, with no borrowings. In 2018, we have invested RM 3.38 million in R&D activities and incurred RM 2.17 million in capital expenditure.

The Board is pleased to recommend a final single-tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2018 for our shareholders' approval at the forthcoming Annual General Meeting. The entitlement and payment dates for the dividend will be on 21 May 2019 and 17 June 2019 respectively.

CORPORATE DEVELOPMENTS

During the financial year under review, the Company has completed the proposed bonus issue of 248 million new ordinary shares in the Company on the basis of one (1) bonus share for every one (1) existing share held. With the completion and listing of the new bonus shares on 12 June 2018, the total number of issued shares of the Company has increased to 496 million ordinary shares (including treasury shares).

MOVING FORWARD

Next generation SCADA shall be future-proof with good connectivity, information management and quality attributes. Cloud, smart device and web-based monitoring SCADA is continuously in demand by the market for efficiency, profitability and agility. Large-scale SCADA with capability of connecting humongous data from complex industrial distributed systems will be needed in future open and dynamic working environments.

IoT devices are everywhere now. SCADA systems are often less protected and more difficult to update when compromised smart devices become gateways. The enhancement of cyber security measures, implementation of more stringent control practices and frequent security audit to SCADA systems are becoming compliance requirements in the industry.

Management Discussion And Analysis (cont'd)

Artificial intelligence and data analytics are still big themes in the coming year. Industrial applications such as video analytics, maintenance prediction, workflow function etc are highly demanded by organizations to achieve goals including cost reduction, more efficient and better decision making. Both SCADA and integrated security system has become datahubs.

Moving forward, the Group expect the Government to resume many of the projects that have been on hold such as LRT Line 3, East Coast Rail Line, Klang Valley Double Track Phase 2 upgrade and Putrajaya Monorail. 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.

The Group will continue to put in efforts in pursuing opportunities in smart city, water and power sectors. We will also strengthen our capability in cyber security solution and data analytics deployment via both in-house development and strategic partnerships. We will participate in more smart city project opportunities especially in living environment (ie. lift and safety by AI technologies) and energy and utility industries (ie. better asset and workforce management).

In Singapore, we will deploy an integrated SCADA and personnel tracking system in a power cable tunnel. In first quarter of 2019, we will complete a water treatment plant SCADA system in Singapore. With this project experience, we are in a good position to pursue opportunities in a much bigger plant and hope to start the project in 2019. Healthcare is a new industry vertical for us to develop business opportunities and to increase our revenue. Income from maintenance will continue to contribute a substantial portion of the earnings of the Group.

The Group remain committed in maintaining the Group's past growth track record and to deliver an improved financial performance for the financial year ending 31 December 2019.

BOARD CHANGES

The Group would like to extend a warm welcome to En. Syed Feisal Alhady who has joined the Board as Independent Non-Executive Director on 1 September 2018.

Wong Ah Chiew
Group Managing Director

SUSTAINABILITY STATEMENT

Introduction

As a leading company providing Innovative Supervisory Control and Data Acquisition (SCADA), Integrated Security and InfoComm Solutions, we take pride in ensuring that our business is conducted responsibly and professionally.

The Board of Directors ("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 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 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 practices 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
Customers	1. Meetings 2. Corporate website 3. Customer survey 4. Roadshows 5. Marketing materials	1. Reputation, confidence and trust in the Group 2. Quality of projects delivered in compliance with standards and on time delivery 3. Product prices and value of products	1. Quality management systems 2. Competitive price against competitors 3. Innovative solutions
Employees	1. Management meetings 2. Project meetings 3. CSR meetings 4. On the job trainings 5. Internal and external trainings	1. Discuss operational performance and procedures 2. Knowledge and skill enhancement 3. Safety environment at work 4. Staff welfare and benefits	1. Attractive remuneration package 2. Career development 3. Work-life balance
Suppliers/ Contractors	1. Regular engagement with suppliers / contractors 2. Supplier / contractor assessment	1. Prices and payment terms 2. Cost efficiency and innovative products / methods	1. Strategic partnerships 2. Working alliance 3. Continuous sourcing 4. Timely payment to suppliers / contractors
Community	1. Community engagement activities 2. Engagement with universities	1. Community development 2. Impact of our business on social and environmental	1. Sponsorship and donations 2. Internship for university students
Government and Regulators	1. Regular engagement and meetings	1. Compliance with policies, procedures and rulings of regulators 2. Compliance with requirements of local authorities and government bodies	1. Complying with all policies and requirements 2. Responsible reporting 3. Follow best practices in the industry

Sustainability Statement (cont'd)

Investors/ Shareholders	<ol style="list-style-type: none"> 1. Bursa announcements 2. Quarterly Reports 3. Annual Report 4. Annual General Meeting 	<ol style="list-style-type: none"> 1. Sustainable growth and business continuity 2. Creating shareholder value 	<ol style="list-style-type: none"> 1. Engagement with investors 2. Responsible reporting 3. Focus on financial performance, risk management and internal control
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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:-

	Economic	Environmental	Social
Material Matters	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

Sustainability Statement (cont'd)

(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.

(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.

Sustainability Statement (cont'd)

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.

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 and develop 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.

We 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 has sponsored a number of our employees to pursue a 1 year leadership programme – Bullet Proof Manager in addition to other trainings and seminars to enhance the employees job related skills and knowledge.

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 embedding sustainability into the Group’s business is a continuous and evolving practices in which the Board will strive to enhance in order to achieve its long term sustainable growth.

OUR PROJECTS



Water & Waste
Water



Oil & Gas



Electrical & Power



Commercial &
Residential



Transportation

RAW WATER AND
POTABLE WATER

GAS PIPELINES
NETWORK

ENERGY AND
DISTRIBUTION
MANAGEMENT SYSTEM

ENERGY
MONITORING
SYSTEM

INTEGRATED SCADA

WASTE WATER
RECLAMATION

GAS TRANSMISSION
AND DISTRIBUTION
PIPELINES

INTEGRATED SECURITY
SYSTEM

LIFT MONITORING AND
SURVEILLANCE SYSTEM

RAILWAY STATION
SURVEILLANCE SYSTEM

SEWERAGE TREATMENT
PROCESS CONTROL &
PLANT MONITORING

LIQUID AND GAS
PIPELINES AND
FLOW COMPUTER
MONITORING

CYBER SECURITY

INTEGRATED
MONITORING SYSTEM

RAILWAY
COMMUNICATION
SYSTEM



SCADA COMMANDER IN CHIEF

WILLOWLYNX



GRAPHICAL USER INTERFACE

Multi-Platform Graphical Interface To Monitor Your System Anytime, Anywhere
Support 3D Graphics

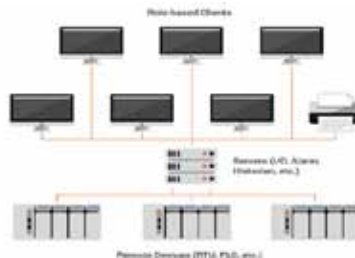
Rapid Development Tools
Built-in symbol libraries, import from/export to Excel spreadsheet, template functions etc.

FUNCTIONS

Alarm & Event Management
SMS & Email, alarm suppression, alarm filtering, etc.

Graphical Programming Language (GPL)
Support IEC61131 Ladder Diagram & Structured Text Language

Web Based Reporting Tool



ARCHITECTURE

Open & Scalable Architecture
Flexible server/client architecture, modular software approach for easy expansion

Reliability & Availability
Fast Failover Mechanism Run In A Redundant & Disaster Recovery Configuration

SECURE ACCESS

System Hardening
Password aging, strong password, integration to LDAP servers

Secure Sockets Layer (SSL)
Support SSL Technology

Audit Trail
Track when & by whom the changes were made, search & filter, comment on event

Willowlynx's SCADA puts everything under one control. Our Integrated Control Centre (ICC) solution conveniently and expediently manages and operates system alarms, alerts, announcements – in other words – all the necessary commands from a single system using Willowlynx SCADA software.

With all this at hand, you get real-time data update for quick responses and quick actions. The instant accessibility reduces down time, maximizes productivity.

We can also custom design to suit your particular integration requirements for better results, better performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board is pleased to present this Statement which outlines the key aspects of how the Company has applied the principles of the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 31 December 2018. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report (CG Report) as published in the Company's website at <http://www.willowglen.com.my>

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"> • Roles of the Board, the Chairman and Group Managing Director and the Company Secretaries • Board Composition • Board Independence • Tenure of Independent Directors • Board Diversity • Appointment of Directors • Re-election and Re-appointment of Directors • Performance Evaluation • Meetings and Time Commitment • Board Charter and Code of Ethics • Directors' Training and Development • Remuneration 	<ul style="list-style-type: none"> • Audit Committee • Risk Management and Internal Control • Suitability and Independence of External Auditors • Internal Control 	<ul style="list-style-type: none"> • Communication with Stakeholders • Conduct of General Meetings

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.

- 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.

Corporate Governance Overview Statement (cont'd)

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 Chairman ensures the orderly conduct and effective running of the Board. The Chairman of the Board is Independent Non-Executive Director.

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

The Board delegates the authority and responsibility for managing the Group's 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 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 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 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.

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

Corporate Governance Overview Statement (cont'd)

- 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. 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 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 at the Company's website at <http://www.willowglen.com.my/board-charter>.

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.

Corporate Governance Overview Statement (cont'd)

The Code of Conduct and Ethics is available at the Company's website at <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 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.

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) other Independent Non-Executive Directors.

The current Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") 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 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.

Corporate Governance Overview Statement (cont'd)

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.

- 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 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. Members of the Nomination and Remuneration Committee who served during the financial year ended are set out in the Corporate Information of this Annual Report.

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

Corporate Governance Overview Statement (cont'd)

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.

During the financial year 2018, the Board appointed Mr. Teh Chee Hoe and Mr. Syed Feisal Alhady as Independent Non-Executive Director of the Company on 5 February 2018 and 1 September 2018 respectively.

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

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.

- 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.

Corporate Governance Overview Statement (cont'd)

- 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 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 Conference 2018
- 2019 Budget Seminar
- Mandatory Accreditation Programme

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.

During the financial year 2018, the Nomination and Remuneration Committee assisted the Board on the following functions:-

- assessed the effectiveness of the Board as a whole and the Board Committees;
- reviewed and assessed the performance of all individual Directors and the independence of Directors;
- reviewed the independence of the Independent Directors;
- review of required mix of skills, experience and other qualities required for the Board to function completely and effectively;
- reviewed the training programmes attended by the Directors during the financial year;
- 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;
- reviewed the profile of new directors and recommended their appointment to the Board for approval; and
- reviewed and revised the terms of reference of the Nomination and Remuneration Committee to align with the recommendation of the MCGG.

Corporate Governance Overview Statement (cont'd)

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.

The 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 at the Company's website.

- 6.2 The Company has in place a formal Remuneration Policy for Directors and Senior Management. 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.

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. Remuneration of the Executive Directors is considered and recommended by the Nomination and Remuneration Committee.

Corporate Governance Overview Statement (cont'd)

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 2018 are as follows:-

COMPANY

Directors	Directors' Fees (RM)	Salaries, Bonus and Other Emoluments (RM)	Total (RM)
Executive :-			
Wong Ah Chiew	20,000	—	20,000
Simon Wong Chu Keong	20,000	—	20,000
Tan Jun	20,000	—	20,000
Non-Executive :-			
Alfian Bin Tan Sri Mohamed Basir	20,000	—	20,000
Wang Shi Tsang	20,000	—	20,000
Au Chun Choong	20,000	—	20,000
Teh Chee Hoe	18,333	—	18,333
Syed Feisal Alhady	6,667	—	6,667

GROUP

Directors	Directors' Fees (RM)	Salaries, Bonus and Other Emoluments (RM)	Total (RM)
Executive :-			
Wong Ah Chiew	20,000	2,250,789	2,270,789
Simon Wong Chu Keong	20,000	973,831	993,831
Tan Jun	20,000	1,553,844	1,573,844
Non-Executive :-			
Alfian Bin Tan Sri Mohamed Basir	20,000	—	20,000
Wang Shi Tsang	20,000	—	20,000
Au Chun Choong	20,000	—	20,000
Teh Chee Hoe	18,333	—	18,333
Syed Feisal Alhady	6,667	—	6,667

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 2018 is as follows:-

Remuneration Bands	No. of Executives
RM250,000 – RM300,000	1
RM350,000 – RM400,000	1
RM950,000 – RM1,000,000	1
RM1,550,000 – RM1,600,000	1
RM2,250,000 – RM2,300,000	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 at the Company website at <http://www.willowglen.com.my/terms-of-reference-of-audit-committee>.

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 2018, 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.

Corporate Governance Overview Statement (cont'd)

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.

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 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 Securities.

The Company's website provides all relevant information on the Company and the Group, and is accessible by the public, including all announcements made by the Company. This is important in ensuring equal and fair access of information by the investing public.

Corporate Governance Overview Statement (cont'd)

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 Group’s business activities and prospects. The Board encourages full participation by shareholders at every General Meeting of the Company and every opportunity is given to the shareholders to raise questions on any item in the agenda or the Group’s operation in general.

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 MCCG, the notice convening the Twenty-First 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 affirms 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.

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

- 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.
- 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 Management System which fully complies with ISO 9001:2015 Quality Management Systems – Requirements. As part of the requirements of the ISO 9001:2015 certification 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 2018 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

59

Directors' Report

66

Statements of Financial
Position

68

Statements of Comprehensive
Income

70

Statements of Changes in
Equity

73

Statements of Cash Flows

76

Notes to the Financial
Statements

171

Statement by Directors

172

Statutory Declaration

173

Independent Auditors' Report

178

Additional Compliance
Information

179

Properties

180

Shareholdings Statistics

Form of Proxy

Questions from Shareholders

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	11,089	3,729
Attributable to:		
Owners of the Company	11,108	3,729
Non-controlling interests	(19)	–
	11,089	3,729

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 2 sen per ordinary share in respect of the financial year ended 31 December 2017, approved by shareholders at the Annual General Meeting on 16 May 2018 and paid on 20 June 2018	4,867

At the forthcoming Annual General Meeting, a first and final single-tier dividend of 1 sen per ordinary share, amounting to RM4,865,832 in respect of the current financial year, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

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, the Company issued 248,000,000 new ordinary shares by way of issuance of bonus issue on the basis of one (1) new ordinary share for every one (1) existing ordinary share held in the Company on 11 June 2018.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There were no issuance of debentures during the financial year.

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.

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 16 May 2018 have approved the Company's plan to repurchase its own shares.

During the financial year, the Company repurchased 70,000 of its issued ordinary shares from the open market at an average price of RM0.47 per ordinary share. The total consideration paid for the repurchased shares including transaction costs was RM32,554 and the repurchased transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

As at 31 December 2018, 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 15 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

(Appointed on 5 February 2018)
 (Appointed on 1 September 2018)

* 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

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

	Number of ordinary shares				
	At 1 January 2018	Bonus issue	Bought	Sold	At 31 December 2018
The Company					
Willowglen MSC Berhad					
Direct interest					
Wong Ah Chiew	1,500,000	1,500,000	—	—	3,000,000
Tan Jun	200,091	200,091	—	—	400,182

Directors' Report (cont'd)

DIRECTORS' INTERESTS (CONT'D)

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 (cont'd):

Interest in the Company (cont'd)

	Number of ordinary shares				
	At 1 January 2018	Bonus issue	Bought	Sold	At 31 December 2018
Deemed interest					
Wong Ah Chiew ⁽¹⁾	132,336,907	132,336,907	–	–	264,673,814
Simon Wong Chu Keong ⁽²⁾	130,900,607	130,900,607	–	–	261,801,214

	Number of ordinary shares				
	At 1 January 2018	Bought	Sold	At 31 December 2018	
The Holding Company					
New Advent Sdn Bhd					
Direct interest					
Wong Ah Chiew		4,718	–	–	4,718
Simon Wong Chu Keong		1,318	–	–	1,318
Deemed interest					
Wong Ah Chiew ⁽³⁾		3,782	–	–	3,782

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

⁽²⁾ Deemed interest held through New Advent Sdn. Bhd.

⁽³⁾ 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' Report
(cont'd)**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director 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 23 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.

INDEMNITY TO DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for, any directors and officers of the Company.

SUBSIDIARIES

Details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Other than those subsidiaries without audited reports as disclosed in Note 6 to the financial statements, the auditors' report on the financial statements of the subsidiaries did not contain any qualifications.

HOLDING COMPANY

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no events subsequent to the end of the financial year which require adjustments of or disclosure in the financial statements or notes thereto.

*Directors' Report
(cont'd)***AUDITORS' REMUNERATION**

Details of the auditors' remuneration are disclosed in Note 22 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.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), 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

Kuala Lumpur

Date: 25 March 2019

STATEMENTS OF
FINANCIAL POSITION

As At 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	15,077	15,639	2,470	2,647
Investment in subsidiaries	6	—	—	47,360	33,869
Investment in associates	7	15,034	14,018	150	150
Investment securities	8	6,880	7,007	—	—
Other receivables	9	1,858	1,927	—	—
Total non-current assets		38,849	38,591	49,980	36,666
Current assets					
Inventories	10	2,777	5,314	—	—
Contract assets	11	32,910	58,089	—	—
Trade and other receivables	9	36,660	46,177	202	126
Amount due from subsidiaries	12	—	—	229	17,878
Tax recoverable		631	484	80	87
Cash and cash equivalents	13	68,541	30,737	6,486	3,191
Total current assets		141,519	140,801	6,997	21,282
TOTAL ASSETS		180,368	179,392	56,977	57,948
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	29,240	29,240	29,240	29,240
Treasury shares	15	(1,747)	(1,714)	(1,747)	(1,714)
Reserves	16	126,744	120,900	28,972	30,110
Total equity attributable to owners of the Company		154,237	148,426	56,465	57,636
Non-controlling interests		343	387	—	—
TOTAL EQUITY		154,580	148,813	56,465	57,636

Statements Of Financial Position

As At 31 December 2018

(cont'd)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current liabilities					
Employee benefits	17	–	41	–	–
Provisions	18	758	760	–	–
Deferred tax liabilities	19	115	115	–	–
Total non-current liabilities		873	916	–	–
Current liabilities					
Contract liabilities	11	7,277	6,665	–	–
Provisions	18	540	442	–	–
Trade and other payables	20	12,864	18,694	512	312
Tax payable		4,234	3,862	–	–
Total current liabilities		24,915	29,663	512	312
TOTAL LIABILITIES		25,788	30,579	512	312
TOTAL EQUITY AND LIABILITIES		180,368	179,392	56,977	57,948

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

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations					
Revenue	21	134,639	155,385	2,047	2,036
Cost of sales		(91,276)	(104,098)	(563)	(590)
Gross profit		43,363	51,287	1,484	1,446
Other income		1,493	1,144	15,811	8,172
Administrative expenses		(30,422)	(30,125)	(13,566)	(2,455)
Operating profit		14,434	22,306	3,729	7,163
Share of results of associates, net of tax		1,016	319	–	–
Profit before tax	22	15,450	22,625	3,729	7,163
Income tax expense	24	(4,361)	(3,965)	–	–
Profit for the financial year		11,089	18,660	3,729	7,163
Other comprehensive (loss)/income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		(161)	(2,150)	–	–
Fair value loss on debt instruments at fair value through other comprehensive income		(261)	–	–	–
Fair value changes on available-for-sale financial assets		–	55	–	–
Other comprehensive loss for the financial year		(422)	(2,095)	–	–
Total comprehensive income for the financial year		10,667	16,565	3,729	7,163

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2018

(cont'd)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) attributable to:					
Owners of the Company	25	11,108	18,717	3,729	7,163
Non-controlling interests		(19)	(57)	–	–
		11,089	18,660	3,729	7,163
Total comprehensive income/(loss) attributable to:					
Owners of the Company		10,711	16,686	3,729	7,163
Non-controlling interests		(44)	(121)	–	–
		10,667	16,565	3,729	7,163
Earnings per ordinary share attributable to owners of the Company (sen)					
- basic	25	2.28	3.85		
- diluted	25	2.28	3.85		

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2018

< ----- Attributable to owners of the Company ----- >

Group	Note	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
At 1 January 2018		29,240	(1,714)	(7,585)	14,649	84	113,752	148,426	387	148,813
Foreign currency translation differences for foreign operations		-	-	-	(136)	-	-	(136)	(25)	(161)
Fair value loss on debt instruments at fair value through other comprehensive income		-	-	-	-	(261)	-	(261)	-	(261)
Total other comprehensive loss for the financial year		-	-	-	(136)	(261)	-	(397)	(25)	(422)
Profit 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	15	-	(33)	-	-	-	-	(33)	-	(33)
Dividends paid	26	-	-	-	-	-	(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

Statement Of Changes In Equity

For The Financial Year Ended 31 December 2018

(cont'd)

< ----- Attributable to owners of the Company ----- >

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium 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
At 1 January 2017		24,800	(1,714)	4,440	(7,585)	16,735	29	99,902	136,607	(192)	136,415
Foreign currency translation differences for foreign operations		-	-	-	-	(2,086)	-	-	(2,086)	(64)	(2,150)
Fair value changes on available-for-sale financial assets		-	-	-	-	-	55	-	55	-	55
Total other comprehensive loss for the financial year		-	-	-	-	(2,086)	55	-	(2,031)	(64)	(2,095)
Profit for the financial year		-	-	-	-	-	-	18,717	18,717	(57)	18,660
Total comprehensive income for the financial year		-	-	-	-	(2,086)	55	18,717	16,686	(121)	16,565
Transactions with owners:											
Arising from increase in share capital in subsidiary	26	-	-	-	-	-	-	-	-	700	700
Dividends paid		-	-	-	-	-	-	(4,867)	(4,867)	-	(4,867)
Total transactions with owners		-	-	-	-	-	-	(4,867)	(4,867)	700	(4,167)
Transition to no-par value regime	14	4,440	-	(4,440)	-	-	-	-	-	-	-
At 31 December 2017		29,240	(1,714)	-	(7,585)	14,649	84	113,752	148,426	387	148,813

Statement Of Changes In Equity

For The Financial Year Ended 31 December 2018

(cont'd)

Company	Note	< ----- Attributable to owners of the Company ----- >				
		Share capital RM'000	Treasury share RM'000	Shares premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2017		24,800	(1,714)	4,440	27,814	55,340
Total comprehensive income for the financial year						
Transactions with owners:		–	–	–	7,163	7,163
Dividends paid	26	–	–	–	(4,867)	(4,867)
Total transactions with owners		–	–	–	(4,867)	(4,867)
Transition to no-par value regime		4,440	–	(4,440)	–	–
At 31 December 2017		29,240	(1,714)	–	30,110	57,636
Total comprehensive income for the financial year		–	–	–	3,729	3,729
Transactions with owners:						
Repurchase of treasury shares	15	–	(33)	–	–	(33)
Dividends paid	26	–	–	–	(4,867)	(4,867)
Total transactions with owners		–	(33)	–	(4,867)	(4,900)
At 31 December 2018		29,240	(1,747)	–	28,972	56,465

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	15,450	22,625	3,729	7,163
Adjustments for:				
Depreciation of property, plant and equipment	2,284	1,796	183	179
Property, plant and equipment written off	–	126	1	2
(Gain)/Loss on disposal of property, plant and equipment	(326)	2	–	–
Dividend income	–	–	(14,948)	(7,620)
Finance income	(868)	(679)	(708)	(396)
Impairment loss on:				
- investment in subsidiary	–	–	171	–
Expected credit loss:				
- amount due from a subsidiary	–	–	98	–
Waiver of debt from amount owing by a subsidiary	–	–	11,000	–
Provision for stock obsolescences	34	–	–	–
Reversal of inventories written down	–	(54)	–	–
Bad debts written off	1,139	296	–	–
Unrealised loss on foreign exchange	16	78	–	–
Share of results of associates	(1,016)	(319)	–	–
Operating profit/(loss) before changes in working capital	16,713	23,871	(474)	(672)
Changes in working capital:				
Net changes in employee benefits and provisions	55	513	–	–
Net changes in inventories	2,503	(4,012)	–	–
Net changes in contract customers	25,791	(7,827)	–	(31)
Net changes in receivables	8,447	(11,500)	(76)	4
Net changes in payables	(5,830)	5,823	200	(24)
Net changes in inter-company balances	–	–	(7,111)	(1,943)
Net cash from/(used in) operations	47,679	6,868	(7,461)	(2,666)
Interest received	868	679	708	396
Income tax paid	(4,173)	(4,056)	(36)	(43)
Income tax refunded	43	95	43	43
Net cash from/(used in) operating activities	44,417	3,586	(6,746)	(2,270)

Statements Of Cash Flows

For The Financial Year Ended 31 December 2018

(cont'd)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,790)	(6,134)	(7)	(128)
Proceed from disposal of property, plant and equipment		383	—	—	—
Purchase of investment securities		(1,637)	(2,401)	—	—
Proceed from disposal of investment securities		1,490	792	—	—
Increase in share capital in subsidiary		—	—	—	(702)
Dividends received		—	—	14,948	7,620
Changes in pledged deposits		(43)	528	(16)	(17)
Net cash (used in)/from investing activities		(1,597)	(7,215)	14,925	6,773
Cash flows from financing activities					
Repurchase of treasury shares		(33)	—	(33)	—
Dividends paid		(4,867)	(4,867)	(4,867)	(4,867)
Capital contribution from non-controlling interest		—	700	—	—
Net cash used in financing activities		(4,900)	(4,167)	(4,900)	(4,867)
Net increase/(decrease) in cash and cash equivalents		37,920	(7,796)	3,279	(364)
Effect of exchange rate changes		(159)	(1,966)	—	—
Cash and cash equivalents at the beginning of the financial year		29,272	39,034	2,568	2,932
Cash and cash equivalents at the end of the financial year		67,033	29,272	5,847	2,568

Statements Of Cash Flows
For The Financial Year Ended 31 December 2018
(cont'd)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Analysis of cash and cash equivalents:					
Fixed deposits placed with licensed banks		20,643	13,419	639	623
Short term investments		5,038	2,092	5,038	2,091
Cash and bank balances		42,860	15,226	809	477
		<hr/>			
Less: Pledged deposits	13	68,541 (1,508)	30,737 (1,465)	6,486 (639)	3,191 (623)
		<hr/>			
		67,033	29,272	5,847	2,568
		<hr/>			

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 6 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 25 March 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 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 MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
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Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

The adoption of the above new MFRSs, 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 9 Financial Instruments

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

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 9 Financial Instruments (cont'd)

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.
- Quoted debt instruments previously classified as Available-for-sale ("AFS") financial assets under MFRS 139 as at 31 December 2017 are classified and measured as debt instruments at fair value through other comprehensive income ("FVOCI") beginning 1 January 2018. The Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group's quoted debt instruments are regular government and corporate bonds that passed the solely payments of principal interest test.
- Equity investments in non-listed companies previously classified as AFS financial assets as at 31 December 2017 are classified and measured as equity instruments designated at FVOCI beginning 1 January 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as these investments are not held for trading.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 9 Financial Instruments (cont'd)

Impact of the adoption of MFRS 9 (cont'd)

(i) Classification and measurement (cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassifications as at 1 January 2018:

MFRS 139 measurement category	RM'000	MFRS 9 measurement category	
		Amortised cost RM'000	Fair value through other comprehensive income RM'000
Financial assets			
Group			
<i>Loans and receivables</i>			
Contract assets	58,089	58,089	–
Trade and other receivables	47,112	47,112	–
Cash and cash equivalents	30,737	30,737	–
<i>Available-for-sale</i>			
Investment securities	7,007	–	7,007
	142,945	135,938	7,007
Company			
<i>Loans and receivables</i>			
Trade and other receivables	120	120	–
Amount due from subsidiaries	17,878	17,878	–
Cash and cash equivalents	3,191	3,191	–
	21,189	21,189	–

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 9 Financial Instruments (cont'd)

Impact of the adoption of MFRS 9 (cont'd)

(i) Classification and measurement (cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassifications as at 1 January 2018 (cont'd):

MFRS 139 measurement category	RM'000	MFRS 9 measurement category	
		Amortised cost	Fair value through other income
Financial liabilities		RM'000	RM'000
Group			
<i>Other financial liabilities</i>			
Trade and other payables	(18,001)	(18,001)	—
Company			
<i>Other financial liabilities</i>			
Trade and other payables	(312)	(312)	—

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12- month or lifetime basis. Accordingly, the Group and Company do not recognise additional impairment losses on its trade and other receivables at the date of initial application arising from application of simplified approach and general approach respectively to reconcile the lifetime expected credit losses.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract;
- (v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

<i>MFRS 111</i>	<i>Construction Contracts</i>
<i>MFRS 118</i>	<i>Revenue</i>
<i>IC Interpretation 13</i>	<i>Customer Loyalty Programmes</i>
<i>IC Interpretation 15</i>	<i>Agreements for the Construction of Real Estate</i>
<i>IC Interpretation 18</i>	<i>Transfers of Assets from Customers</i>
<i>IC Interpretation 131</i>	<i>Revenue – Barter Transactions Involving Advertising Services</i>

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 January 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 15 Revenue from Contracts with Customers (cont'd)

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (cont'd):

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2021 [#]
MFRS 2	Share-Based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 [#]
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021 [#]
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021 [#]
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021 [#]
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021 [#]
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021 [#]

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (cont'd):

		Effective for financial periods beginning on or after
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

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

- (a) The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

MFRS 16 Leases (cont'd)

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

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.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

Amendments to References to the Conceptual Framework in MFRS Standards (cont'd)

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of 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 (RM'000), unless otherwise stated.

2.5 Basis of measurement

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

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 reporting period. It also required directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

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

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 associates 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 combinations

Subsidiaries are entities (including structured 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 122²⁰⁰⁴ Business Combinations, the generally accepted accounting principles prevailing at that time. The Group has taken advantage of the exemption provided by MFRS 3 to apply this Standard prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with this Standard.

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 (CONT'D)

3.1 Basis of consolidation (cont'd)

(a) Subsidiaries and business combinations (cont'd)

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 (CONT'D)

3.1 Basis of consolidation (cont'd)

(a) Subsidiaries and business combinations (cont'd)

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any 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, a 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) Non-controlling interests

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.

(c) 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(c) Associates (cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of 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 decrease 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.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup 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 associates are measured at cost less any accumulated 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 3.11(b).

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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 at 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.

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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency transactions and operations (cont'd)

(b) Translation of foreign operations (cont'd)

When a foreign operation is disposed of such that control, significant influence 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 that do not result in the Group losing significant influence, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

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 instrument.

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the financial instruments are recognised initially at its 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(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 its business model for managing those assets change.

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 classifies 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 (EIR) method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Debt instruments (cont'd)

- **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 3.11(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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. 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 statement 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 (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Equity instruments

The Group and the Company subsequently measures 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(ii) Financial liabilities (cont'd)

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.

(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 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(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.

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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(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.

Accounting policies applied until 31 December 2017

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

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) Subsequent measurement

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Financial assets at fair value through profit or loss (cont'd)

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

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

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). 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 (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(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 best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(d) Derecognition

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

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

(e) Offsetting of financial instruments

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 3.11(b).

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.

(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:

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

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (cont'd)

(c) Depreciation (cont'd)

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

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

(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.

3.6 Leases

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.

(a) Lessee accounting

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 assets.

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 or investment property.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(a) Lessee accounting (cont'd)

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.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor accounting

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 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

In respect of equity-accounted associates, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 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.

3.9 Contract assets/(liabilities)

Contract asset 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 3.11(a).

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

3.10 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.

3.11 Impairment of assets

(a) Impairment of financial assets and contract assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or 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 loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

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

- 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 loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

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.

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 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

The amount of expected credit 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.

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries and associates) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

Available-for-sale financial assets (cont'd)

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from customers for contract work, deferred tax assets, assets arising from employee benefits and non-current 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").

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (cont'd)

(b) Impairment of non-financial assets (cont'd)

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 recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, 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 assets in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Share capital (cont'd)

(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.

3.13 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.

(b) Defined contribution plans

As required by law, companies in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Some of the Group's foreign subsidiaries' companies make contributions to their respective countries' statutory pension scheme. 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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.

3.15 Revenue and other income

Accounting policies applied from 1 January 2018

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 (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics in the property development business if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

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 such as goods and service tax, 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue and other income (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

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. Any cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability is disclosed in Note 11.

(a) Construction contracts

The Group and the Company construct and sell commercial and industrial properties under long-term contracts with customers. 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 commercial and industrial properties is transferred over time as the Group and the Company 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 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group and the Company become entitled to invoice customers for construction of commercial and industrial properties based on achieving a series of performance-related milestones.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue and other income (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(a) Construction contracts (cont'd)

The Group and the Company 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 and the Company recognise a contract liability for the difference.

(b) Dividend income

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

(c) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

(d) Interest income

Interest income is recognised using the effective interest method.

Accounting policies applied until 31 December 2017

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.

(a) Construction contracts

Revenue on long term contracts is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is measured using the costs incurred for work performed to-date bear to the estimated total contract costs.

Revenue from short term contracts is recognised in the profit or loss on the completion method.

When the outcome of the construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue and other income (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(b) Revenue on maintenance contracts

Revenue from maintenance contracts is recognised when the services are rendered.

(c) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(d) Dividend income

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

(e) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(f) Interest income

Interest income is recognised using the effective interest method.

3.16 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Borrowing costs

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

3.18 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Income tax (Cont'd)

(b) Deferred tax (Cont'd)

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.

3.19 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.

3.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Managing Director, 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.

Notes To The Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 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:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

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

3.22 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.

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.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes To The Financial Statements (cont'd)

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

The carrying amounts of amount due by contract customers and amount due to contract customers are disclosed in Note 11.

(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.

Notes To The Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold lands RM'000	Buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computers RM'000	Renovation construction RM'000	Assets under construction RM'000	Total RM'000
Cost									
At 1 January 2018	3,237	4,880	1,213	1,938	4,357	6,535	5,209	378	27,747
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	1,281	1,940	4,151	6,508	5,378	378	27,753
Accumulated depreciation									
At 1 January 2018	313	598	520	1,363	3,044	5,113	1,157	-	12,108
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	616	1,356	2,367	5,426	1,843	-	12,676
Carrying amount									
At 1 January 2018	2,924	4,282	693	575	1,313	1,422	4,052	378	15,639
At 31 December 2018	2,879	4,170	665	584	1,784	1,082	3,535	378	15,077

Notes To The Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Long term leasehold lands RM'000	Buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computers RM'000	Renovation construction RM'000	Assets under construction RM'000	Total RM'000
Cost									
At 1 January 2017	3,237	4,880	1,036	1,773	3,654	5,837	2,494	-	22,911
Additions	-	-	507	188	759	874	3,428	378	6,134
Disposal	-	-	-	-	-	(18)	-	-	(18)
Written off	-	-	(312)	(3)	-	(93)	(633)	-	(1,041)
Exchange differences	-	-	(18)	(20)	(56)	(65)	(80)	-	(239)
At 31 December 2017	3,237	4,880	1,213	1,938	4,357	6,535	5,209	378	27,747
Accumulated depreciation									
At 1 January 2017	268	486	722	1,274	2,554	4,669	1,389	-	11,362
Depreciation charge for the financial year	45	112	88	109	534	601	307	-	1,796
Disposal	-	-	-	-	-	(16)	-	-	(16)
Written off	-	-	(285)	(3)	-	(89)	(538)	-	(915)
Exchange differences	-	-	(5)	(17)	(44)	(52)	(1)	-	(119)
At 31 December 2017	313	598	520	1,363	3,044	5,113	1,157	-	12,108
Carrying amount									
At 1 January 2017	2,969	4,394	314	499	1,100	1,168	1,105	-	11,549
At 31 December 2017	2,924	4,282	693	575	1,313	1,422	4,052	378	15,639

Notes To The Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers RM'000	Renovation RM'000	Total RM'000
Cost						
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
Accumulated depreciation						
At 1 January 2018						
Depreciation charge for the financial year	152 48	58 1	64 9	1,536 115	105 10	1,915 183
Written off	–	–	–	(8)	–	(8)
At 31 December 2018	200	59	73	1,643	115	2,090
Carrying amount						
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)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers RM'000	Renovation RM'000	Total RM'000
Cost						
At 1 January 2017	2,397	61	117	1,749	128	4,452
Additions	–	–	–	128	–	128
Written off	–	–	–	(18)	–	(18)
At 31 December 2017	2,397	61	117	1,859	128	4,562
Accumulated depreciation						
At 1 January 2017						
Depreciation charge for the financial year	104 48	57 1	56 8	1,439 113	96 9	1,752 179
Written off	–	–	–	(16)	–	(16)
At 31 December 2017	152	58	64	1,536	105	1,915
Carrying amount						
At 1 January 2017	2,293	4	61	310	32	2,700
At 31 December 2017	2,245	3	53	323	23	2,647

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	35,946	35,946
Less: Impairment loss	(2,248)	(2,077)
	33,698	33,869
Add: Loans that are part of net investments	13,662	–
	47,360	33,869

Notes To The Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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 RM6,778,863 (2017: Nil) which is subject to interest at the rate ranging from 4.5% to 4.6% (2017: Nil) 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.

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Group's Effective Equity Interest		Principal Activities
		2018 %	2017 %	
Willowglen (Malaysia) Sdn. Bhd.	Malaysia	100	100	Sales, implementation and maintenance of computer-based control systems
Willowglen Technology Sdn. Bhd.	Malaysia	100	100	Sales, implementation and maintenance of integrated monitoring systems
Willowglen Services Pte. Ltd.*	Singapore	100	100	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 Islands	100	100	Investment holding

Notes To The Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):

Name of Company	Country of Incorporation	Group's Effective Equity Interest		Principal Activities
		2018 %	2017 %	
Subsidiaries of Willowglen Services Pte. Ltd.				
Willowglen Asia Pte Limited +	Hong Kong	100	100	Investment holding
WLG Solutions Pte. Ltd. +	Singapore	100	100	Investment holding
Subsidiary of WLG Solutions Pte. Ltd.				
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.

6.1 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	Country of Incorporation	Effective Equity Interest	
		2018 %	2017 %
PT Willowglen Indonesia	Indonesia	49.92	49.92
Sentinel Systems Sdn. Bhd.	Malaysia	30	30

Notes To The Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Non-controlling interest in subsidiaries (cont'd)

Carrying amount of material non-controlling interests:

	2018 RM'000	2017 RM'000
PT Willowglen Indonesia	529	557
Sentinel Systems Sdn. Bhd.	(186)	(170)
	343	387

The financial information of the Group's subsidiaries that have material non-controlling interests ("NCI") are as follows (continued):

Profit or loss allocated to material non-controlling interests:

	2018 RM'000	2017 RM'000
PT Willowglen Indonesia	(2)	(35)
Sentinel Systems Sdn. Bhd.	(17)	(22)
	(19)	(57)

6.2 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.	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Summarised statements of financial position				
As at 31 December				
Non-current assets	–	11	12	20
Current assets	1,066	1,439	17	63
Non-current liabilities	–	(41)	–	–
Current liabilities	(5)	(293)	(650)	(651)
Net assets/(liabilities)	1,061	1,116	(621)	(568)

Notes To The Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.2 Summarised financial information of material non-controlling interests (cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows (cont'd):

	PT Willowglen Indonesia		Sentinel Systems Sdn. Bhd.	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Summarised statements of comprehensive income				
Financial year ended 31 December				
Revenue	151	887	–	55
Total comprehensive loss for the financial year	(3)	(71)	(55)	(72)
Summarised cash flow information				
Financial year ended 31 December				
Cash flows from/(used in) operating activities	288	(612)	15	(2)
Cash flows from/(used in) investing activities	2	(3)	–	–
Cash flows from financing activities	–	1,221	–	–
Net increase/(decrease) in cash and cash equivalents	290	606	15	(2)
Dividends paid to non-controlling interests	–	–	–	–

Notes To The Financial Statements (cont'd)

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares at cost	13,204	13,204	150	150
Share of post-acquisition reserves	1,830	814	–	–
	15,034	14,018	150	150

Details of the associates are as follows:

Name of Company	Country of Incorporation	Group's Effective Equity Interest		Group's Effective Voting Interest		Principal Activities
		2018 %	2017 %	2018 %	2017 %	
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	–	Sales, distribution, implementation, maintenance and consultancy of information communication technologies, internet of things and industrial system deployment
Interest held through Willowglen Asia Pte Limited						
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.

Notes To The Financial Statements (cont'd)

7. INVESTMENT IN ASSOCIATES (CONT'D)

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.

On 6 June 2018, the Company incorporated a new associate company known as Austral Willowglen Sdn Bhd by subscribing 30 ordinary share capital at a total cash consideration of RM30.

7.1 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	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	Austral Willowglen Sdn. Bhd. RM'000
31.12.2018			
Assets and liabilities:			
Non-current assets	28,728	—	—
Current assets	18,563	300	100
Non-current liabilities	(10,711)	—	—
Current liabilities	(11,768)	(6)	(12,352)
Net assets/(liabilities)	24,812	294	(12,252)
Results:			
Profit/(Loss) for the financial year/period	1,695	(2)	—
Included in the total comprehensive income is:			
Revenue	25,337	—	—

Notes To The Financial Statements (cont'd)

7. INVESTMENT IN ASSOCIATES (CONT'D)

7.1 Summarised financial information of material associates (cont'd)

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. (cont'd)

	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	Austral Willowglen Sdn. Bhd. RM'000	Total RM'000
Reconciliation of net assets to carrying amount:				
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 profits/(loss)	1,833	(3)	–	1,830
Carrying amount in the statements of financial position	14,887	147	–	15,034
Group's share of results:				
Group's share of profit/(loss)	1,017	(1)	–	1,016

Group	Willowglen System Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000
31.12.2017		
Assets and liabilities:		
Non-current assets	29,606	–
Current assets	17,565	300
Non-current liabilities	(11,756)	–
Current liabilities	(12,298)	(4)
Net assets	23,117	296

Notes To The Financial Statements (cont'd)

7. INVESTMENT IN ASSOCIATES (CONT'D)

7.1 Summarised financial information of material associates (cont'd)

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. (cont'd)

Group	Willowglen System Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	
Results:			
Profit/(Loss) for the financial year	533	(3)	
Total comprehensive income/(loss)	533	(3)	
Included in the total comprehensive income is:			
Revenue	17,284	–	
	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	Total RM'000
Reconciliation of net assets to carrying amount:			
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 profits/(loss)	816	(2)	814
Carrying amount in the statements of financial position	13,870	148	14,018
Group's share of results:			
Group's share of profit/(loss)	320	(1)	319

Notes To The Financial Statements (cont'd)

8. INVESTMENT SECURITIES

Group

2018
RM'000

Financial assets at fair value through other comprehensive income ("FVOCI")

At fair value:

- Debt securities

At 1 January	7,007
Acquisition during the financial year	1,637
Disposal during the financial year	(1,490)
Exchange differences	(13)
Fair value changes	(261)
	<hr/>
	6,880

Group

2017
RM'000

Available-for-sale ("AFS") financial assets

At fair value:

- Debt securities

At 1 January	5,516
Acquisition during the financial year	2,401
Disposal during the financial year	(792)
Exchange differences	(173)
Fair value changes	55
	<hr/>
	7,007

Notes To The Financial Statements (cont'd)

9. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current:					
Non-trade					
Other receivable	(a)	1,858	1,927	–	–
Current:					
Trade					
Trade receivables		29,805	38,528	–	–
Retention sum		3,949	4,081	–	–
		33,754	42,609	–	–
Less: Expected credit loss		–	–	–	–
	(b)	33,754	42,609	–	–
Non-trade					
Other receivables	(c)	782	2,010	191	115
Deposits		443	566	5	5
Prepayments		1,677	988	2	2
GST refundable		4	4	4	4
		2,906	3,568	202	126
Total trade and other receivables (current)		36,660	46,177	202	126
Total trade and other receivables (non-current and current)		38,518	48,104	202	126

- (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% 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 60 days (2017: 30 days to 60 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.
- (c) Include in other receivables is an amount of RM50,021 (2017: RM1,663,508) due from associates of the Group, is unsecured, subject to interest at 10% per annum, repayable over 12 months from 2017 to 2018.

Notes To The Financial Statements (cont'd)

10. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
At Cost		
Consumables	2,777	3,483
Good-in-transit	–	1,831
	<hr/> 2,777	<hr/> 5,314

- (a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM 29,411,604 (2017: RM41,114,522).
- (b) During the financial year, the provision for stock obsolescence to their net realisable values for the Group amounted to RM 33,754 (2017: RM Nil).
- (c) During the financial year, the Group reversed the previous inventories written down of RM Nil (2017: RM54,552). The amount of reversal was included in administrative expenses.

11. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2018 RM'000	2017 RM'000
Contract assets relating to construction service contracts	32,910	58,089
	<hr/>	<hr/>
Contract liabilities relating to construction service contracts	(7,277)	(6,665)
	<hr/>	<hr/>

Notes To The Financial Statements (cont'd)

11. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(a) Significant changes in contract balances

	2018		2017	
	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	–	7,848	–	5,429
Transfers from contract assets recognised at the beginning of the period to receivables	63,277	–	50,363	–

(b) Revenue recognised in relation to contract balances

	Group	
	2018 RM'000	2017 RM'000
Revenue recognised that was included in contract liability at the beginning of the financial year	7,848	5,429

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)

12. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Amount due from subsidiaries		
Trade	656	601
Non-trade	222	17,828
	878	18,429
Less: Expected credit loss	(649)	(551)
	229	17,878

The normal trade credit granted to the subsidiaries is 30 days (2017: 30 days).

The amount due from subsidiaries are unsecured, repayable on demand and non-interest bearing, except for amount due from a subsidiary which subject to interest at the rate ranging from Nil (2017: 4.5% to 4.6%) per annum on a monthly basis.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed deposits placed with licensed banks	20,643	13,419	639	623
Short term investments	5,038	2,092	5,038	2,091
Cash and bank balances	42,860	15,226	809	477
Cash and cash equivalents as reported in statements of financial position	68,541	30,737	6,486	3,191
Less: Pledged deposits	(1,508)	(1,465)	(639)	(623)
Cash and cash equivalents as reported in statements of cash flows	67,033	29,272	5,847	2,568

Notes To The Financial Statements (cont'd)

13. CASH AND CASH EQUIVALENTS (CONT'D)

Included in the fixed deposits placed with licensed banks of the Group and the Company are an amount of RM1,508,000 and RM639,000 (2017: RM1,465,000 and RM623,000) 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 one day to twelve months depending on the immediate cash requirements of the Group and the Company. The weighted average effective interest rates as at 31 December 2018 for the Group and the Company were 2.3% and 3.6% (2017: 1.8% and 3.4%) respectively.

14. SHARE CAPITAL

	Note	Group and Company			
		2018		2017	
		Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
Issued and fully paid up:					
At 1 January		248,000	29,240	248,000	24,800
Issued during the financial year:					
- Bonus issue	(a)	248,000	—	—	—
Transition to no-par value regime					
- Share premium	(b)	—	—	—	4,440
At 31 December		496,000	29,240	248,000	29,240

(a) Bonus issue

During the 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 during the financial year ranked pari passu in all respects with the existing shares of the Company.

Notes To The Financial Statements (cont'd)

14. SHARE CAPITAL (CONT'D)

(b) Share premium

The new Companies Act 2016 (the "Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM4,440,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM4,440,000 for purpose as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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.

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM4,440,000 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital in the prior year.

As at 31 December 2018, of the total 496,000,000 (2017: 248,000,000) issued and fully paid ordinary shares 9,416,800 (2017: 4,673,400) ordinary shares are currently held as treasury shares by the Company as disclosed in Note 15 to the financial statements. The number of outstanding shares on issue after the share repurchased is 486,583,200 (2017: 243,326,600).

15. TREASURY SHARES

Note	Group and Company			
	2018		2017	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
At 1 January	4,673	1,714	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	4,673	1,714

Notes To The Financial Statements (cont'd)

15. TREASURY SHARES (CONT'D)

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.

As at 31 December 2018, the Company's treasury shares are held at a carrying amount of RM 1,746,686 (2017: RM1,714,133).

The details of repurchased of treasury shares in current financial year were as follows:

	Number of Shares Repurchased Unit	Price per share			Total Consideration RM
		Lowest RM	Highest RM	Average RM	
31.12.2018					
December 2018	70,000	0.433	0.508	0.465	32,554

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

16. RESERVES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Merger deficit	(7,585)	(7,585)	—	—
Foreign currency translation reserve	14,513	14,649	—	—
Fair value reserve	(177)	84	—	—
Retained earnings	119,993	113,752	28,972	30,110
	126,744	120,900	28,972	30,110

Notes To The Financial Statements (cont'd)

16. RESERVES (CONT'D)

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 8. 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.

17. EMPLOYEE BENEFITS

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

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

	Group
	2018
	RM'000
	2017
	RM'000
Present value of unfunded obligation	41

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

	Group
	2018
	RM'000
	2017
	RM'000
At 1 January	60
Current services costs recognised in profit or loss	(13)
Exchange differences	(6)
At 31 December	41

Notes To The Financial Statements (cont'd)

17. EMPLOYEE BENEFITS (CONT'D)

The significant actuarial assumptions applied in the measurement of defined benefit plan are as follows:

	Group	
	2018	2017
Discount rate	0%	7.5%
Future salary growth	0%	0%
Pension retirement age	–	55

18. PROVISIONS

Group	Maintenance warranties RM'000	Reinstatement costs RM'000	Provision for unutilised leave RM'000	Provision for foreseeable losses RM'000	Total RM'000
At 1 January 2018	194	760	248	–	1,202
Recognised in profit or loss	214	–	267	2	483
Utilised during the financial year	(137)	–	–	–	(137)
Reversed during the financial year	–	–	(248)	–	(248)
Exchange differences	–	(2)	–	–	(2)
At 31 December 2018	271	758	267	2	1,298
2018					
Non-current	–	758	–	–	758
Current	271	–	267	2	540
	271	758	267	2	1,298
2017					
Non-current	–	760	–	–	760
Current	194	–	248	–	442
	194	760	248	–	1,202

Notes To The Financial Statements (cont'd)

18. PROVISIONS (CONT'D)

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.

19. DEFERRED TAX LIABILITIES

	Group	
	2018 RM'000	2017 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.

	Group	
	2018 RM'000	2017 RM'000
Deferred tax liabilities:		
At 1 January	(115)	(118)
Recognised in profit or loss (Note 24)	–	3
At 31 December	(115)	(115)

Notes To The Financial Statements (cont'd)

19. DEFERRED TAX LIABILITIES (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	19,860	10,927	9,221	9,221
Unclaim capital allowance	1,448	1,142	732	688
Deductible temporary difference	1,154	830	831	737
	22,462	12,899	10,784	10,646
Potential deferred tax assets not recognised at 24%	5,391	3,096	2,588	2,555

20. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables	(a)	8,178	13,924	–	–
Non-trade					
Other payables		527	462	384	188
GST payables		1,553	693	–	–
Accruals		2,606	3,615	128	124
	(b)	4,686	4,770	512	312
Total trade and other payables		12,864	18,694	512	312

Notes To The Financial Statements (cont'd)

20. TRADE AND OTHER PAYABLES (CONT'D)

- (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 (2017: 30 days to 60 days).
- (b) Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (2017: 30 days to 60 days).

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 31(b) (ii).

21. REVENUE

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Contract revenue	101,623	122,857	—	—
Maintenance contracts	32,951	32,528	—	—
Miscellaneous income	65	—	2,047	2,036
	134,639	155,385	2,047	2,036

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Timing of revenue recognition :				
At a point in time	35,128	37,303	2,047	2,036
Over time	99,511	118,082	—	—
	134,639	155,385	2,047	2,036

Notes To The Financial Statements (cont'd)

22. 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration:				
- Malaysian operations				
- current year	71	75	45	43
- prior year	8	(6)	(3)	(6)
- Overseas operations				
- current year	91	95	—	—
Non statutory audit fees:				
- Malaysian operations	9	9	9	9
Directors' remuneration (Note 23)	5,569	5,214	145	122
Staff costs:				
- salaries, allowances and bonuses	41,743	37,074	1,667	1,583
- defined contribution plans	5,720	4,993	169	157
- socso	100	100	12	11
- EIS	11	—	1	—
Impairment loss on:				
- investment in subsidiary	—	—	171	—
Expected credit loss:				
- amount owing by a subsidiary	—	—	98	—
Waiver of debt from amount owing by a subsidiary	—	—	11,000	—
Bad debt written off	1,139	—	—	—
Loss on foreign exchange:				
- realised	186	140	3	91
- unrealised	16	78	16	97
Rental of offices	1,340	1,455	5	4
Depreciation of property, plant and equipment	2,284	1,796	183	179
Loss on disposal of property, plant and equipment	—	2	—	—
Property, plant and equipment written off	—	126	1	2
Provision for stock obsolescence	34	—	—	—

Notes To The Financial Statements (cont'd)

22. PROFIT BEFORE TAX (CONT'D)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving profit before tax (cont'd):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
And crediting:				
Dividend income from a subsidiary	—	—	14,948	7,620
Income from				
- loan and receivables	615	392	708	396
- investment securities	253	287	—	—
Gain on disposal of investments	—	35	—	—
Gain on disposal of property, plant and equipment	326	—	—	—
Rental income	—	—	156	156
Government grants	183	342	—	—

23. DIRECTORS' REMUNERATION

The details of directors' remuneration during the year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors				
Fees	60	60	60	54
Salaries, bonus and other emoluments	4,778	4,481	—	—
Defined contribution plan	646	605	—	—
Non-executive directors	5,484	5,146	60	54
Fees	85	68	85	68
	5,569	5,214	145	122

Notes To The Financial Statements (cont'd)

24. INCOME TAX EXPENSES

The major components of income tax expense for the financial years ended 31 December 2018 and 2017:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- current year	(4,163)	(4,010)	—	—
- prior year	(198)	42	—	—
	(4,361)	(3,968)	—	—
Deferred tax (Note 19)				
Origination and reversal of temporary differences	—	3	—	—
	—	3	—	—
Total income tax expense	(4,361)	(3,965)	—	—

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 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 2018 (2017: 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before tax	15,450	22,625	3,729	7,163
Tax at Malaysia statutory income tax rate of 24% (2017: 24%)	(3,708)	(5,430)	(895)	(1,719)
Effect of tax rate in foreign jurisdiction	1,745	1,766	—	—
Share of results of associates	244	76	—	—

Notes To The Financial Statements (cont'd)

24. INCOME TAX EXPENSES (CONT'D)

The reconciliations from the tax amount at the statutory income tax rate to Group's and the Company's tax expense are as follows (cont'd):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Adjustments:				
- non-deductible expenses	(364)	(440)	(2,780)	(58)
- non-taxable income	138	333	3,590	2,063
- deferred tax assets not recognised on tax losses and temporary differences	(2,295)	(657)	(33)	(286)
- group relief	—	—	118	—
- tax exemption	107	352	—	—
- other items	(30)	(7)	—	—
- adjustment in respect of current income tax of prior years	(198)	42	—	—
Income tax expense	(4,361)	(3,965)	—	—

25. 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:

	2018 RM'000	2017 RM'000 (Restated)
Profit attributable to owners of the Company	11,108	18,717
Weighted average number of ordinary shares for basic earnings per share	486,652	486,654
Basic earnings per ordinary share (sen)	2.28	3.85

The earnings per ordinary share for the financial year ended 31 December 2017 was computed based on the number of ordinary shares after the issuance of bonus share of 248,000,000 which was completed on 12 June 2018.

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.

Notes To The Financial Statements (cont'd)

26. DIVIDENDS

Group and Company
2018 **2017**
RM'000 **RM'000**

Recognised during the financial year:

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 –

First and final single-tier dividend of 2 sen per ordinary share
for the financial year ended 31 December 2016,
paid on 31 May 2017

– 4,867

At the forthcoming Annual General Meeting, a first and final single-tier dividend of 1 sen per ordinary share, amounting to RM4,865,832 in respect of the financial year ended 31 December 2018 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

27. OPERATING LEASE COMMITMENTS

The future minimum rental payable under non-cancellable operating lease at the reporting date is as follows:

Group
2018 **2017**
RM'000 **RM'000**

Not later than one year

1,354 1,357

Later than one year but not later than five years

3,924 5,290

5,278 6,647

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

Notes To The Financial Statements (cont'd)

28. CAPITAL COMMITMENTS

The Group have made commitments for the following capital expenditures:

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	460	655

29. 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 Company has a related party relationship with its subsidiaries, associates and key management personnel.

(b) Significant related party transactions

Significant related party transactions other than as disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subsidiaries				
Sale of goods	—	—	322	386
Provision of engineering services	—	—	543	513
Technical advisory fees charged	—	—	1,175	1,137
Rental income	—	—	156	156
Interest income	—	—	635	353
Dividend income	—	—	14,948	7,620

Notes To The Financial Statements (cont'd)

29. RELATED PARTIES (CONT'D)

(b) Significant related party transactions (cont'd)

Significant related party transactions other than as disclosed elsewhere in the financial statements are as follows (cont'd):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Associates				
Interest income	152	130	–	–
Purchase of goods	1,094	243	–	–

(c) Key management personnel remuneration

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 23)	5,569	5,214	145	122
Other Key management personnel:				
Salaries, bonuses and allowances	4,630	4,583	–	–
Contribution to defined contribution plans	457	449	–	–
	5,087	5,032	–	–
	10,656	10,246	145	122

Notes To The Financial Statements (cont'd)

30. 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.

Notes To The Financial Statements (cont'd)

30. SEGMENT INFORMATION (CONT'D)

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.

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Europe RM'000	Others RM'000	Adjustments and Elimination RM'000	Notes	Total RM'000
2018								
Revenue:								
External customers	22,912	111,576	151	–	–	–		134,639
Inter-segment	2,045	419	–	–	–	(2,464)	A	–
Total revenue	24,957	111,995	151	–	–	(2,464)		134,639
Results:								
Interest income	756	442	43	–	261	(635)		867
Interest expense	635	–	–	–	–	(635)		–
Impairment loss on:								
- investment in subsidiaries	171	–	–	–	–	(171)		–
- amount owing by 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
Segment profit/(loss)	4,184	24,930	(3)	–	173	(13,834)	B	15,450
Income tax expense	–	(4,361)	–	–	–	–		(4,361)
Profit/(Loss) for the financial year	4,184	20,569	(3)	–	173	(13,834)	B	11,089

Notes To The Financial Statements (cont'd)

30. SEGMENT INFORMATION (CONT'D)

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Europe RM'000	Others RM'000	Adjustments and Elimination RM'000	Notes	Total RM'000
Assets:								
Investment in associates	143	–	–	–	14,891	–		15,034
Additions to non-current assets	363	1,427	–	–	–	–		1,790
Segment assets	96,295	123,788	1,066	–	19,742	(76,188)	C	164,703
Geographical information:								
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
2017								
Revenue:								
External customers	39,668	114,830	887	–	–	–		155,385
Inter-segment	1,545	2,574	–	–	–	(4,119)	A	–
Total revenue	41,213	117,404	887	–	–	(4,119)		155,385
Results:								
Interest income	443	268	34	–	287	(353)		679
Interest expense	353	–	–	–	–	(353)		–
Depreciation	998	789	9	–	–	–		1,796
Share of results of associates	–	–	–	–	–	1,016		1,016
Segment profit/(loss)	4,574	25,233	(71)	–	191	(7,302)	B	22,625

Notes To The Financial Statements (cont'd)

30. SEGMENT INFORMATION (CONT'D)

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Europe RM'000	Others RM'000	Adjustments and Elimination RM'000	Notes	Total RM'000
Income tax expense	–	(4,007)	–	–	–	–		(4,007)
Income tax income	42	–	–	–	–	–		42
Profit/(Loss) for the financial year	4,616	21,226	(71)	–	191	(7,302)	B	18,660
Assets:								
Investment in associates	148	–	–	–	13,870	–		14,018
Additions to non-current assets	1,429	4,705	–	–	–	–		6,134
Segment assets	103,041	119,869	1,450	–	7,864	(67,334)	C	164,890
Geographical information:								
Revenue by geographical location of customers	38,574	114,829	151	1,095	–	–		154,649
Non-current assets	44,456	7,392	11	–	7,007	(34,293)		24,573
Major customers	–	23,868	–	–	–	–		23,868

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.

Notes To The Financial Statements (cont'd)

30. SEGMENT INFORMATION (CONT'D)

Information about major customer

	2018 RM'000	2017 RM'000
Singapore		
Customer I	32,518	23,868

31. 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:

From 1 January 2018

- (i) Amortised cost
- (ii) Fair value through other comprehensive income ("FVOCI")

On or before 31 December 2017

- (i) Loans and receivables ("L&R")
- (ii) Available-for-sale financial assets ("AFS")
- (iii) Other financial liabilities ("FL")

At 31 December 2018	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000
Financial Assets			
Group			
Investment securities	6,880	—	6,880
Amount due from contract customers	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

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of Financial Instruments (cont'd)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (cont'd):

At 31 December 2018	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000
Financial Assets			
Company			
Trade and other receivables*	200	200	—
Amount due from subsidiaries	229	229	—
Cash and cash equivalents	6,486	6,486	—
	6,915	6,915	—
Financial Liabilities			
Group			
Trade and other payables^	(11,311)	(11,311)	—
Company			
Trade and other payables^	(512)	(512)	—
At 31 December 2017	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000
Financial Assets			
Group			
Investment securities	7,007	—	7,007
Amount due from contract customers	58,089	58,089	—
Trade and other receivables*	47,112	47,112	—
Cash and cash equivalents	30,737	30,737	—
	142,945	135,938	7,007

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of Financial Instruments (cont'd)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (cont'd):

At 31 December 2017	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000
Financial Assets			
Company			
Trade and other receivables*	120	120	—
Amount due from subsidiaries	17,878	17,878	—
Cash and cash equivalents	3,191	3,191	—
	21,189	21,189	—
Financial Liabilities			
Group			
Trade and other payables^	(18,001)	(18,001)	—
Company			
Trade and other payables^	(312)	(312)	—

* 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)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(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 the Company's trade receivables and contract assets at the reporting date are as follows:

Trade receivables

	2018		Group		2017
	RM'000	%	RM'000	%	
By country:					
Malaysia	13,278	39.3%	15,973	37.5%	
Singapore	20,054	59.4%	25,896	60.8%	
Indonesia	3	0.0%	558	1.3%	
Europe	419	1.2%	182	0.4%	
	33,754	100.0%	42,609	100.0%	

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

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 (cont'd):

Contract assets

	2018		Group		2017	
	RM'000	%			RM'000	%
By country:						
Malaysia	10,680	32.5%			17,332	29.8%
Singapore	22,230	67.5%			40,661	70.0%
Indonesia	—	0.0%			96	0.2%
	32,910	100.0%			58,089	100.0%

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.

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

The information about the credit risk exposure on the Group's and Company's trade receivables and contract assets using provision matrix are as follows:

Group	Contract assets	< ----- Trade receivables ----- >					Total
		Current	1-30 days past due	31-60 days past due	61-90 days past due	> 91 days past due	
At 31 December 2018							
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount at default rate	32,910	18,033	3,562	3,680	1,029	7,450	33,754
Expected credit loss	-	-	-	-	-	-	-
Forward looking information	-	-	-	-	-	-	-
Charge for expected credit loss	-	-	-	-	-	-	-

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities, cash and cash equivalents and derivatives), 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.

*Notes To The Financial Statements
(cont'd)***31. FINANCIAL INSTRUMENTS (CONT'D)****(b) Financial risk management (cont'd)****(i) Credit risk (cont'd)****Other receivables and other financial assets (cont'd)**

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. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

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 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

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 RM45,961,000 (2017: RM59,716,000) 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:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
On demand or within 1 year				
Trade and other payables	12,864	18,694	512	312
Financial guarantee contracts	–	–	45,961	59,716
Total undiscounted financial liabilities	12,864	18,694	46,473	60,028

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(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. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Renminbi ("RMB"), British Pound ("GBP"), Canadian Dollar ("CAD") and Euro Dollar ("EURO").

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 outweigh 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	2018		2017	
	Functional currency RM RM'000	SGD RM'000	Functional currency RM RM'000	SGD RM'000
Financial assets and liabilities not held in functional currencies:				
<u>Cash and cash equivalents</u>				
United States Dollar	–	773	–	1,093
Chinese Renminbi	–	212	–	715
British Pound	–	–	–	613
	–	985	–	2,421
<u>Trade and other receivables</u>				
United States Dollar	–	540	–	521
Chinese Renminbi	–	1,903	–	715
Euro Dollar	419	–	264	–
Canadian Dollar	–	–	–	3,419
	419	2,443	264	4,655

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (cont'd):

Group	2018		2017	
	Functional currency RM RM'000	SGD RM'000	Functional currency RM RM'000	SGD RM'000
Trade and other payables				
United States Dollar	–	106	–	97
Chinese Renminbi	–	210	–	–
British Pound	–	121	–	1,960
Canadian Dollar	–	897	–	–
	–	1,334	–	2,057

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to United States Dollar ("USD"), Chinese Renminbi ("RMB"), 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, RMB, GBP, CAD and EURO, with all other variables held constant of the Group's total profit for the financial year.

		Group	
		2018 RM'000	2017 RM'000
	Change in rate	Effect on profit or loss	
USD	+ 10%	92	115
	- 10%	(92)	(115)
RMB	+ 10%	16	54
	- 10%	(16)	(54)
GBP	+ 10%	(9)	(102)
	- 10%	9	102
CAD	+ 10%	(68)	260
	- 10%	68	(260)
EURO	+ 10%	32	20
	- 10%	(32)	(20)

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(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 outweigh 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 total equity and profit for the financial year.

Group	Change in basis point %	Effect on profit for the financial year RM'000	Effect on equity RM'000
31 December 2018	+100	(69)	(53)
	-100	69	53
31 December 2017	+100	(57)	(43)
	-100	57	43
<hr/>			
Company			
31 December 2018	+100	(2)	(2)
	-100	2	2
31 December 2017	+100	(129)	(98)
	-100	129	98

Notes To The Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(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		
2018		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial assets				
Group				
Other receivable	1,858	–	1,858	–
Investment securities	6,880	6,880	–	–
2017				
Financial assets				
Group				
Other receivable	1,927	–	1,927	–
Investment securities	7,007	7,007	–	–

There were no transfer between Level 1 and Level 2 during the current and previous financial years (2017: 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 2018 and 31 December 2017.

Notes To The Financial Statements (cont'd)

32. 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 2018 and 31 December 2017.

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.

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

During the financial year, the Company issued 248,000,000 new ordinary shares by way of issuance of bonus issue on the basis of one (1) new ordinary share for every one (1) existing ordinary share held in the Company on 11 June 2018.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

STATEMENT BY DIRECTORS

(Pursuant To Section 251(2) Of The Companies Act 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 66 to 170 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 2018 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

Kuala Lumpur

Date: 25 March 2019

**STATUTORY
DECLARATION**

(Pursuant to Section 251(1) of the Companies Act 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 66 to 170 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 25 March 2019.

Before me,

.....
Commissioner for Oaths

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 2018 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 66 to 170.

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 2018, 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.

Independent Auditors' Report

To The Members Of Willowglen Msc Berhad
 (Incorporated In Malaysia)

(cont'd)

Key Audit Matters (Cont'd)

Group

Accounting for Contracts (Note 4, 11 and 21 to the financial statements)

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.

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;
- reviewing directors' estimations by referring to evidence including historical accuracy of the Group's estimates in previous periods, an assessment of the consistency of estimations across projects, and discussing project progress with project managers;
- 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.

Independent Auditors' Report

To The Members Of Willowglen Msc Berhad
(Incorporated In Malaysia)

(cont'd)

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.

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
 (Incorporated In Malaysia)

(cont'd)

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

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
(Incorporated In Malaysia)
(cont'd)

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 6 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
LLP0019411-LCA & AF 0117
Chartered Accountants

Heng Fu Joe
No. 02966/11/2020 J
Chartered Accountant

Kuala Lumpur

Date: 25 March 2019

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 2018 are as follows :-

	Group (RM'000)	Company (RM'000)
Audit Fees	162	45
Non Audit Fees	56	13

4. RECURRENT RELATED PARTY TRANSACTIONS OF A TRADING OR REVENUE NATURE

At the Twentieth Annual General Meeting of the Company held on 16 May 2018, 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 2018 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 2018 to 31 December 2018 (RM)
Willowglen and its subsidiaries	OSK Holdings Berhad and its subsidiaries ("OSK Group")	Supply of Group's product – SCADA Systems, Information Technology services, security and smart home system to OSK Group	326,979

PROPERTIES

As At 31 December 2018

Description of Property	Existing Use	Age of Building (Years)	Land Area	Tenure	Date of Acquisition	Net Book Value / Fair Value As at 31 December 2018 (RM)
Willowglen (Malaysia) Sdn. Bhd.						
Pajakan Negeri 17630, Lot No. 35063 and Pajakan Negeri 17631, Lot No. 35064, Mukim Petaling, District and State of Wilayah Persekutuan, being 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	26	246 sq. m.	93-years leasehold expiring on 19.02.2083	01.06.1999	2,412,441
Pajakan Negeri 17636, Lot No. 35069, Pajakan Negeri 17637, Lot No. 35070, Pajakan Negeri 17638, Lot No. 35071 and Pajakan Negeri 17639, Lot No. 35072, Mukim Petaling, District and State of Wilayah Persekutuan, being four units of 3-storey terrace shop offices bearing the address of No. 15 & 17, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Operational office	26	490 sq. m.	93-years leasehold expiring on 19.02.2083	30.04.2007	2,440,025
Willowglen MSC Berhad						
GRN 358304/M3/1/100 Lot 46868, GRN 358304/M3/2/108 Lot 46868, GRN 358304/M3/3/116 Lot 46868 and GRN 358304/M3/4/120 Lot 46868, Bandar Johor Bahru, District and State of Johor Bahru, being 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	12	103 sq. m.	Freehold	23.12.2014	2,197,438

SHAREHOLDINGS STATISTICS

As At 8 March 2019

Total Number of Issued Shares	:	496,000,000 (including 9,416,800 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	0.51	136	0.00
100-1,000	191	7.46	82,644	0.02
1,001-10,000	1,260	49.18	6,645,600	1.36
10,001-100,000	934	36.46	31,128,358	6.39
100,001 – 24,329,159 *	162	6.32	130,989,774	26.92
24,329,160 and above **	2	0.08	317,736,688	65.30
Total	2,562	100.00	486,583,200***	100.00

Remark	-	*	Less than 5% of issued shares
	-	**	5% and above of issued shares
	-	***	Excluding 9,416,800 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	261,801,214	53.80	—	—
Wong Ah Chiew	3,000,000	0.62	264,673,814°	54.39
Simon Wong Chu Keong	—	—	261,801,214□	53.80
OSK Technology Ventures Sdn Bhd	58,680,674	12.06	—	—
OSK Ventures International Berhad	—	—	79,280,674^	16.29
OSK Equity Holdings Sdn Bhd	—	—	79,280,674*	16.29
Tan Sri Ong Leong Huat @ Wong Joo Hwa	—	—	79,689,674∞	16.38

Shareholdings Statistics

As At 8 March 2019

(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	264,673,814*	54.39
Simon Wong Chu Keong	—	—	261,801,214#	53.80
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 8 March 2019.

THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 8 MARCH 2019

No.	Name of Shareholders	No. of Shares	%
1	New Advent Sdn. Bhd.	261,801,214	53.80
2	OSK Technology Ventures Sdn. Bhd.	55,935,474	11.50
3	OSK Venture Equities Sdn. Bhd.	20,600,000	4.23
4	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad		
	Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	12,800,000	2.63
5	Lim Sin Khong	5,800,000	1.19
6	Lim Gaik Bway @ Lim Chiew Ah	5,254,400	1.08
7	Malta Corp. Sdn. Bhd.	5,000,000	1.03
8	Teh Boon Wee	4,000,000	0.82
9	Teh Boon Wee	3,965,000	0.81
10	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad		
	Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund	3,513,600	0.72
11	Khor Chai Moi	3,326,600	0.68
12	Wong Ah Chiew	3,000,000	0.62

Shareholdings Statistics

As At 8 March 2019

(cont'd)

No.	Name of Shareholders	No. of Shares	%
13	RHB Nominees (Tempatan) Sdn. Bhd. OSK Technology Ventures Sdn. Bhd.	2,745,200	0.56
14	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund	2,600,000	0.53
15	Ng Sim Tin	2,600,000	0.53
16	Wong Chong Ngin	2,274,000	0.47
17	Lee Kok Hoong	2,015,000	0.41
18	Andrew Lim Cheong Seng	2,000,000	0.41
19	Chan Yan Ping	1,784,000	0.37
20	Yieldforce Sdn. Bhd.	1,488,000	0.31
21	Lee Heuk Ping	1,460,000	0.30
22	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Yeow Teng (Margin)	1,382,000	0.28
23	Wong Chu Khee	1,308,400	0.27
24	Ng Soon Gan	1,270,000	0.26
25	Tan Kin Lee	1,168,600	0.24
26	Ho Liang Choon @ Ho Lian Choon	1,040,000	0.21
27	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Christina Loh Yoke Lin (8111756)	1,000,000	0.21
28	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koo Fook Thian (7003232)	968,900	0.20
29	Jian Qi Holdings Sdn. Bhd.	818,000	0.17
30	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Asia-Pacific Dividend Fund	806,000	0.17

FORM OF PROXY

CDS Account No.	No. of Shares Held

*I/We, _____

*NRIC No./Passport No./Company No. _____

of _____

being a member/members of **WILLOWGLEN MSC BERHAD** hereby appoint:-

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the Twenty-First Annual General Meeting ("AGM") of the Company to be held at The Royal Selangor Golf Club, Banquet Hall, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur, Malaysia on Thursday, 2 May 2019 at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:-

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To approve the declaration of a final dividend of 1 sen per ordinary share under the single-tier system for the financial year ended 31 December 2018		
2.	To re-elect Ms. Tan Jun as Director		
3.	To re-elect Mr. Au Chun Choong as Director		
4.	To re-elect Mr. Syed Feisal Alhady as Director		
5.	To approve the payment of Directors' fees of RM145,000.00 for the financial year ended 31 December 2018		
6.	To approve the payment of Directors' benefits to the Independent Non-Executive Directors up to RM32,000.00 from a day after the Twenty-First AGM until the next AGM of the Company in year 2020		
7.	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		
8.	To retain Mr. Wang Shi Tsang as Independent Non-Executive Director		
9.	To retain Encik Alfian Bin Tan Sri Mohamed Basir as Independent Non-Executive Director		
10.	Authority to Issue Shares pursuant to the Companies Act 2016		
11.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		
12.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		
13.	Proposed Renewal of Authorisation to enable Willowglen MSC Berhad to Purchase Its Own Shares Up to 10% of The Total Number of Issued Shares of The Company		
SPECIAL RESOLUTION			
Proposed Adoption of A New Constitution of The Company			

(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 _____, 2019.

* Delete if not applicable

* Signature / Common Seal of Shareholder

Notes:

1. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 24 April 2019 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting or appoint proxy(ies) to attend and/or vote in his/her stead.
2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. When a member appoints more than one (1) proxy, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified. A proxy need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation.
3. Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
5. The instrument appointing a proxy or proxies shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if such appointer is a corporation, under its Common Seal or the hand of its attorney duly authorised.

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Stamp

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

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QUESTIONS FROM SHAREHOLDERS

The Annual General Meeting ("AGM") of Willowglen MSC Berhad will be held on Thursday, 2 May 2019 at 10.00 a.m. Shareholders are invited to register questions in advance of the AGM.

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

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

Shareholder questions must be received by Friday, 19 April 2019. 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"/>
3.	<hr/> <hr/> <hr/>	<input type="checkbox"/>
4.	<hr/> <hr/> <hr/>	<input type="checkbox"/>



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

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WILLOWGLEN
www.willowglen.com.my

WILLOWGLEN MSC BERHAD

(462648-V)

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

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