# WILLOWGLEN

(462648-V)

# annual report 2016

# Contents



# Financial statements



WILLOWGLEN

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Nineteenth Annual General Meeting ("AGM") of the Company will be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 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 2016 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 2 sen per ordinary share under the single-tier system for the financial year ended 31 December 2016. **(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) Wang Shi Tsang (Article 93) **(Resolution 2)**

   (b) Simon Wong Chu Keong (Article 93) **(Resolution 3)**

   (c) Tan Jun (Article 98) **(Resolution 4)**

4. To approve the payment of Directors' fees of RM93,750.00 for the financial year ended 31 December 2016. **(Resolution 5)**

5. To approve the payment of Directors' benefits to the Independent Non-Executive Directors up to RM17,000.00 from 1 January 2017 until the next AGM of the Company. **(Resolution 6)**

6. To re-appoint Messrs. Baker Tilly Monteiro Heng as the 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, Encik Alfian Bin Tan Sri Mohamed Basir And Encik Mohd Isa Bin Ismail As Independent Non-Executive Directors

   "THAT Wang Shi Tsang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **(Resolution 8)**

# Notice of Annual General Meeting (continued)

"THAT Alfian Bin Tan Sri Mohamed Basir who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **(Resolution 9)**

"THAT Mohd Isa Bin Ismail who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **(Resolution 10)**

8. Ordinary Resolution
Authority To Issue Shares Pursuant To Sections 75 and 76 Of The Companies Act 2016

"THAT, subject always to the Sections 75 and 76 of the Companies Act 2016 ("**the Act**"), 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 Sections 75 and 76 of the Act, 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 share capital 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 THAT such authority shall commence immediately upon the passing of this Resolution and continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 11)**

9. Ordinary Resolution
Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

"THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the categories of Recurrent Transactions of a revenue or trading nature which are necessary for their day-to-day operations and with those Related Parties as specified in Section 2.1.3 of the Circular dated 3 April 2017 subject further to the following:-

(a) the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public; and

(b) disclosure is made in the Annual Report of a breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year, amongst others, based on the following information:-

(i) the type of Recurrent Transactions made; and

(ii) the names of the Related Parties involved in each type of Recurrent Transactions made and their relationships with the Company;

## Notice of Annual General Meeting (continued)

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

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which time it will lapse, unless by a resolution passed at 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 FURTHER 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)**

10. Ordinary Resolution
Proposed Renewal Of Authorisation To Enable Willowglen MSC Berhad To Purchase Its Own Shares Up To 10% Of The Share Capital Of The Company Pursuant To Section 127 Of The Companies Act 2016

"THAT, subject always to the Companies Act 2016 ("**the Act**"), the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(a) the aggregate number of shares purchased does not exceed ten percent (10%) of the share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statement and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

(c) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividend.

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

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

# Notice of Annual General Meeting (continued)

(b) the expiration of the period within which the next Annual General Meeting after the date is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary and/or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back with full power to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities, and all other relevant governmental and/or regulatory authorities." **(Resolution 13)**

11. 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 2 sen per ordinary share under the single-tier system for the financial year ended 31 December 2016, if approved by shareholders, will be payable on 31 May 2017 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 15 May 2017. 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 15 May 2017 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 2017

# Notice of Annual General Meeting (continued)

Notes:

1. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 19 April 2017 ("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(ies) must be deposited at the Company's Share Registrar's Office at 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:-

   i. Item 1 of the Agenda

      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 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 has reached a cumulative nine (9) years term limit. In accordance with the Malaysian Code on Corporate Governance 2012, the Board of Directors of the Company, after having assessed the independence of Mr. Wang Shi Tsang and after having been recommended and assessed by the Nomination Committee, 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:

      - 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 (continued)

iii. 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 has reached a cumulative nine (9) years term limit. In accordance with the Malaysian Code on Corporate Governance 2012, the Board of Directors of the Company, after having assessed the independence of Encik Alfian Bin Tan Sri Mohamed Basir and after having been recommended and assessed by the Nomination Committee, 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:

- 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.

iv. Ordinary Resolution 10

**Retention of Encik Mohd Isa Bin Ismail as Independent Non-Executive Director**

Encik Mohd Isa Bin Ismail was appointed as an Independent Non-Executive Director of the Company on 29 December 2006 and has reached a cumulative nine (9) years term limit. In accordance with the Malaysian Code on Corporate Governance 2012, the Board of Directors of the Company, after having assessed the independence of Encik Mohd Isa Bin Ismail and after having been recommended and assessed by the Nomination Committee, regards him to be independent based amongst others, the following justifications and recommends that Encik Mohd Isa Bin Ismail be retained as an Independent Director of the Company :

- 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 (continued)

v. Ordinary Resolution 11

**Authority to Issue Shares Pursuant to Sections 75 and 76 of 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 issued share capital 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.

The authority to issue shares pursuant to Sections 75 and 76 of 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 Eighteenth Annual General Meeting of the Company held on 27 April 2016 ("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 12

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

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

vii. Ordinary Resolution 13

**Proposed Renewal of Authorisation to Enable Willowglen MSC Berhad to Purchase Its Own Shares Up To 10% of The Share Capital 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 share capital 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.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

(a) Wang Shi Tsang
(b) Simon Wong Chu Keong
(c) Tan Jun

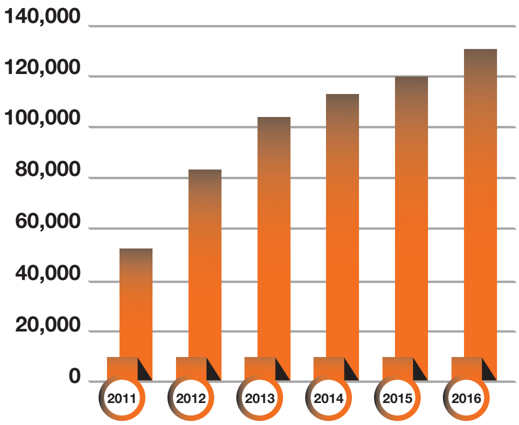
**2. Details of Directors who are standing for re-election**

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

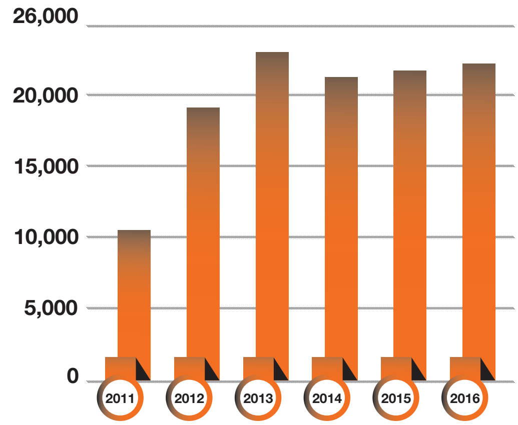
# FINANCIAL HIGHLIGHTS

| GROUP FINANCIAL SUMMARY | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 |
|---|---|---|---|---|---|---|
| Revenue | 52,160 | 83,427 | 102,611 | 109,754 | 119,268 | **132,000** |
| Profit Before Tax | 10,180 | 18,194 | 23,112 | 20,597 | 21,069 | **21,859** |
| Profit Attributable To Owners Of The Company | 8,507 | 15,376 | 19,359 | 17,414 | 18,090 | **18,279** |
| Total Assets | 68,214 | 84,251 | 104,539 | 119,033 | 139,394 | **157,314** |
| Total Liabilities | 5,956 | 11,919 | 18,372 | 18,696 | 17,669 | **20,899** |
| Total Equity Attributable To Owners Of The Company | 62,069 | 72,301 | 85,867 | 99,635 | 121,587 | **136,607** |
| Basic Earnings Per Ordinary Share (sen) | 3.49 | 6.32 | 7.95 | 7.15 | 7.43 | **7.51** |
| Dividends Per Share (including special dividend) (sen) | 3.00 | 2.50 | 3.00 | 2.00 | 2.00 | **2.00** |
| Net Assets Per Share (sen) | 25.58 | 29.70 | 35.30 | 40.90 | 50.00 | **56.14** |

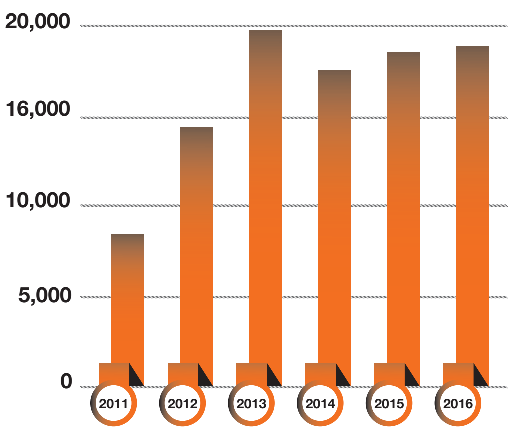
# Financial Highlights (continued)



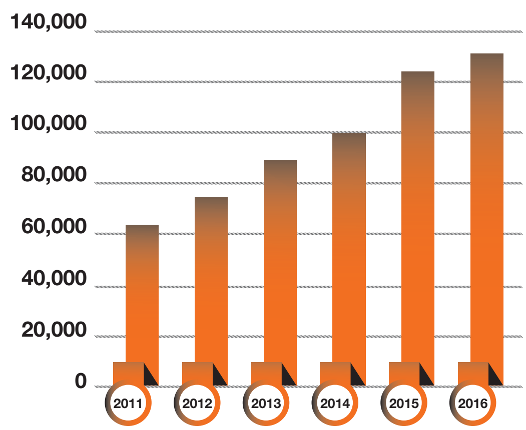

Revenue (RM'000)



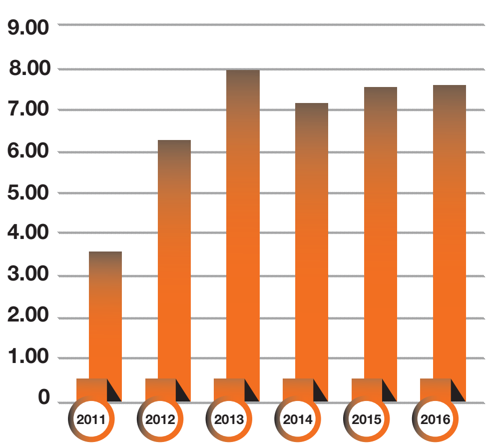

Profit Before Tax (RM'000)



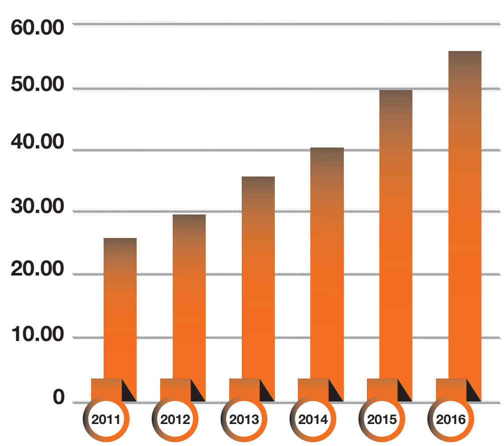

Profit Attributable To
Owners Of The Company (RM'000)




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




Basic Earnings Per Ordinary Share (sen)




Net Assets Per Share (sen)

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Alfian Bin Tan Sri Mohamed Basir** (Chairman and Independent Non-Executive Director)
**Wong Ah Chiew** (Group Managing Director)
**Simon Wong Chu Keong** (Executive Director)
**Tan Jun** (Executive Director)
**Wang Shi Tsang** (Senior Independent Non-Executive Director)
**Mohd Isa Bin Ismail** (Independent Non-Executive Director)
**Au Chun Choong** (Independent Non-Executive Director)

## AUDIT COMMITTEE

Wang Shi Tsang (Chairman)
Alfian Bin Tan Sri Mohamed Basir
Mohd Isa Bin Ismail
Au Chun Choong (Appointed on 27 February 2017)

## NOMINATION & REMUNERATION COMMITTEE

Alfian Bin Tan Sri Mohamed Basir (Chairman)
Wang Shi Tsang
Mohd Isa Bin Ismail
Au Chun Choong (Appointed on 27 February 2017)

## SECRETARIES

Chua Siew Chuan
Tan Ley Theng

## AUDITORS

Baker Tilly Monteiro Heng
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

## STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad

## REGISTERED OFFICE

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

## HEAD OFFICE

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

## SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-78418000 Fax: 03-78418151

## 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 43, 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. Currently, he is a Non-Independent and Non-Executive Director of WTK Holdings Berhad, an investment holding company and the Chief Executive Officer of Blue Horus Solutions Group, a regional Mobile Telecommunications-based solutions provider with operations in Malaysia and Cambodia. He is also a Director of Alanya Marine Ventures Sdn Bhd, a company involved in the oil and gas industry. In addition, he also currently sits on the Board of various other 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 all four (4) Board Meetings held in the financial year ended 31 December 2016.

# Profile of Directors (continued)

**MR. WONG AH CHIEW**, male, aged 69, a Malaysian, is the **GROUP MANAGING DIRECTOR** of the Company. He joined the Board of Directors on 20 May 1998 as First Director of the Company and resigned on 30 July 1998. On 19 June 2000, he was re-appointed to the Board of Directors and subsequently appointed as Group Managing Director on 1 August 2013.

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

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

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

Some of these projects included Taman Dindings, Ayer Tawar; Taman Desa Aman, Teluk Intan; Taman Sri Setapak, Kuala Lumpur; Taman Damai Jaya, Johor and Taman Sri Endah, Kuala Lumpur. Mr. Wong has more than 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 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 2016.

## Profile of Directors (continued)

**MR. SIMON WONG CHU KEONG**, male, aged 41, a Malaysian, is the **EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 August 2013.

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

Mr. 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 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 2016.

# Profile of Directors (continued)

**MS. TAN JUN**, female, aged 48, 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 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 was absent with apology for the remaining one (1) Board Meeting held in the financial year ended 31 December 2016 subsequent to her appointment to the Board of Directors.

# Profile of Directors (continued)

**MR. WANG SHI TSANG**, male, aged 63, 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 and a Certified Financial Planner. He is also a tax agent both under the Income Tax Act, 1967 (as amended) and the Goods and Services Tax Act 2014 (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. Since 29 August 2012 he has been acting as Senior Manager-Tax in the same company's Finance Department and is responsible for problem-solving and trouble-shooting in income tax matters and managing the company's Goods and Services Tax.

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

Mr. Wang has no conviction for any offences within the past 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 2016.

## Profile of Directors (continued)

**ENCIK MOHD ISA BIN ISMAIL**, male, aged 53, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 29 December 2006.

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

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

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

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

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

Encik Mohd Isa has no conviction for any offences within the past 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 2016.

# Profile of Directors (continued)

**MR. AU CHUN CHOONG**, male, aged 65, 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 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 2016.

# PROFILE OF KEY SENIOR MANAGEMENT

## DIONG KING EWU Group Operations Director

| Nationality/Age/ Gender: | Academic/Professional Qualification(s): | Working Experience: |
| --- | --- | --- |
| Malaysian/67/ Male<br><br>Year of Appointment:<br>2013 | • Bachelor's degree in Electrical Engineering from the University of Singapore | • He began his career in 1975.<br>• In 1985, Mr. Diong joined Willowglen Systems Ltd as its Regional Marketing Manager, responsible for the marketing and technical sales support of Willowglen SCADA systems in ASEAN countries. In 1986, Mr. Diong was appointed as director of Willowglen Services Pte Ltd ("WSPL") and in 1995, he was appointed as Managing Director of WSPL. In 2000, he was appointed as Managing Director of Willowglen MSC Berhad ("WMSC"). In 2004, Mr. Diong relinquished the post of Managing Director of WMSC to concentrate on growing the business of WSPL and he has retired in year 2011. In 2013, Mr. Diong re-joined WMSC and was appointed as Group Operations Director in WMSC and responsible for the business operations of the Company. |

## NIK AZLAN BIN NIK YUSOFF Chief Technical Officer

| Nationality/Age/ Gender: | Academic/Professional Qualification(s): | Working Experience: |
| --- | --- | --- |
| Malaysian/45/ Male<br><br>Year of Appointment:<br>2010 | • Dual degrees in Electrical Engineering and Computer Science from Washington University, St. Louis, United States | • He began his career in 1998 with Sapura Advance Systems.<br>• 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

| Nationality/Age/ Gender: | Academic/Professional Qualification(s): | Working Experience: |
| --- | --- | --- |
| Malaysian/46/ Male<br><br>Year of Appointment:<br>2014 | • Member of the Malaysian Institute of Accountants<br>• Association of Chartered Certified Accountants<br>• Institute of Chartered Secretaries and Administrators | • He began his career in 1994.<br>• 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 (continued)

## PHAN VEE YEE General Manager – SCADA

| Nationality/Age/ Gender: | Academic/Professional Qualification(s): | Working Experience: |
| --- | --- | --- |
| Malaysian/45/ Male<br><br>Year of Appointment:<br><br>2012 | • Master of Science Degree in Mechatronics, De MontFort University, United Kingdom<br>• Diploma in Electronics Engineering, Tunku Abdul Rahman College, Malaysia<br>• British Engineering Council Part 1 & Part II in Electronics Engineering | • He began his career in 1995.<br>• 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: | Academic/Professional Qualification(s): | Working Experience: |
| --- | --- | --- |
| Malaysian/40/ Male<br><br>Year of Appointment:<br><br>2012 | • Diploma in Electrical Engineering, Universiti Teknology Malaysia<br>• Degree of Information Technology, University Malaya | • He began his career in 1999.<br>• 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: | Academic/Professional Qualification(s): | Working Experience: |
| --- | --- | --- |
| Malaysian/45/ Female<br><br>Year of Appointment:<br><br>2012 | • Bachelor of Science in Electrical Engineering, University of Kentucky, Lexington, USA | • She began her career in 1995.<br>• 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 (continued)

## CHEONG FONG HOON Head of Business Development Division

Nationality/Age/ Gender:

Singaporean/63/ 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/58/ 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/53/ 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 (continued)

## KOH BENG BOON Head of Purchasing/Hardware Division

| Nationality/Age/ Gender: | Academic/Professional Qualification(s): | Working Experience: |
|---|---|---|
| Singaporean/59/ Male<br><br>Year of Appointment:<br><br>2012 | • Diploma in Electrical and Electronics Engineering, Ngee Ann Technical College of Singapore | • He began his career in 1981.<br>• 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: | Academic/Professional Qualification(s): | Working Experience: |
|---|---|---|
| Singaporean/53/ Male<br><br>Year of Appointment:<br><br>2013 | • Diploma in Electronics & Communication Engineering, Singapore Polytechnic | • He began his career in 1981.<br>• 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. |

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

1. any directorship in public companies and listed issuers;
2. any family relationship with any directors and/or major shareholders of the Company;
3. any conflict of interest with the Company; and
4. any conviction for offences within the past five (5) years other than traffic offences.

# AUDIT COMMITTEE REPORT

| | | |
|---|---|---|
| Chairman | : | **WANG SHI TSANG**<br>(Senior Independent Non-Executive Director) |
| Members | : | **ALFIAN BIN TAN SRI MOHAMED BASIR**<br>(Independent Non-Executive Director) |
| | | **MOHD ISA BIN ISMAIL**<br>(Independent Non-Executive Director) |

## TERMS OF REFERENCE

The Term 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 2016.

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

| Directors | Attendance of Meetings |
|---|---|
| Wang Shi Tsang | 4/4 |
| Alfian Bin Tan Sri Mohamed Basir | 4/4 |
| Mohd Isa Bin Ismail | 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.

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

In discharging its functions and duties, the AC had carried out the following work during the financial year ended ("FYE") 31 December 2016:-

### 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 |
|---|---|
| 24 February 2016 | Fourth quarter results for the financial year ended 31 December 2015 |
| 27 April 2016 | First quarter results for the financial year ended 31 March 2016 |
| 24 August 2016 | Second quarter results for the financial year ended 30 June 2016 |
| 28 November 2016 | Third quarter results for the financial year ended 30 September 2016 |

The above review is to ensure that the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting as well as applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

### B. External Audit

On 24 February 2016, 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 2015, with the External Auditors, Messrs Baker Tilly Monteiro Heng ("BTMH"). BTMH also confirmed that they have not noted any fraud related incidents that rendered reporting to AC.

On 28 November 2016, the AC reviewed the Audit Plan for FYE 31 December 2016 prepared by BTMH, outlining the audit scope, statutory timeline and audit timeframe, areas of focus, fraud consideration and the audit risk assessment, audit fees and also the new and revised auditors reporting standards. The AC was also updated on the significant changes to the reporting contents of the audit report in line with the new ISA 701 and revised ISA 700 issued by the Malaysian Institute of Accountants which was applicable for the audits for financial statements for periods ended on or after 15 December 2016. The AC also noted of the requirement for disclosure of key audit matters and additional auditor responsibilities on other information under the amendments to the Main Market Listing Requirements ("MMLR").

The AC had two (2) private sessions with BTMH without the presence of the Executive Directors and management staff on 24 February 2016 and 28 November 2016 to enquire if BTMH had encountered issues during their audit that needed to be brought to the attention of the AC.

# Audit Committee Report (continued)

The AC reviewed the Independence of BTMH and their performance during the AC meetings. 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 2016 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.

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 2017 to the Board for approval by its shareholders at the forthcoming Nineteenth Annual General Meeting.

**C. Internal Audit**

During the FYE 31 December 2016, the AC met three (3) times with the Internal Auditors at the AC meetings to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system.

The Internal Auditor carried out its duties according to the approved audit plan, and areas of concern which require further improvement were highlighted in the internal audit reports and discussed in the AC meetings as follows:-

**Scope of Audit**

- Accounts and Finance
- Credit Control
- Marketing
- Tender
- Recurrent Related Party Transaction
- Related Party Transaction

**D. Risk Management**

During the AC meetings on 24 February 2016, 27 April 2016 and 24 August 2016, the AC reviewed the Risk Management Committee's Report that containing the result of the risk updates deliberated at the Risk Management Committee Meeting as follows:-

- Financial Risks
- Operational Risks

**E. Related Party Transactions**

(i) Reviewed the quarterly report on recurrent related party transactions for compliance with both in-house procedures and the MMLR.

(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.

# Audit Committee Report (continued)

**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 share capital of the Company, prior to the submission to the Board for approval.

(ii) Considered and reviewed the proposed amendments to the Terms of Reference of the AC and recommended the same to the Board for approval.

(iii) Reviewed the AC Report and Statement on Risk Management and Internal Control, prior to submission to the Board for consideration and inclusion in the Annual Report of the Company.

## SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

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

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

The OIA had conducted a risk and internal control review on the accounts and finance, credit control, marketing and tender function of the Group's Malaysian and Singapore operations. They have also conducted a review on the recurrent related party transactions entered by the Group and the policies and procedures of the related party transactions.

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.

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 cost incurred during the year under review for the OIA was RM24,460.

Further details on the internal control are set out in the "Statement on Risk Management and Internal Control" contained in this Annual Report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATIONS REVIEW

Our Group remains focused and committed in achieving our vision to be a leading company in the world providing Innovative Supervisory Control and Data Acquisition ("SCADA"), Integrated Security and Info Comm Solutions. 85% of our sales achieved in 2016 are derived from SCADA, 12% from Integrated Security and the balance 3% from Intelligent Transport Systems ("ITS").

For the financial year under review, the Malaysian operations have set up a new division to venture into providing ITS. After 4 months in operations, we managed to secure a job of RM 7.40 million together with our JV partner in the supply and installation of traffic control and surveillance system for a highway project.

We have also put in significant efforts in sending our Remote Terminal Units ("RTU") and Field Terminal Units to overseas reputable lab to go through a series of test in order to meet the stringent requirements of the largest electricity utility company in Malaysia. Our efforts paid off in March 2017 as we have been awarded a contract of RM 7.82 million by the electricity utility company for the supply, installation, testing and commissioning of Secondary RTU. We expect this market segment will continue to contribute to the earnings of the Group. We are studying and putting in extra efforts to improve on the efficiency of our RTU and also to reduce the cost of production of our RTU in order to be more competitive.

In Singapore, the sales orders achieved has increased by 17.7% compared to 2015 but due to the delay in the execution of projects, contributions from our Singapore subsidiary did not perform as expected in 2016.

We have restructured the team in Indonesia and we expect the new management team to bring the company to profitability within 2 years by focusing in the power distribution and data center sector. In order to tap into the growing business opportunities in Vietnam, we have incorporated Willowglen Vietnam Co., Ltd. The company has yet to commence operations and we expect to commence operations in the second half of 2017.

In Canada, we are exploring the opportunities for synergies with our associate there as they are an established company with a proven track record in deployment of SCADA systems throughout North America and other parts of the world.

Our key challenges are rising material costs due to fluctuations in foreign exchange and difficulty in the recruitment of capable engineers for our expansion needs. We are committed to ensure that we have the best teams for the job and continue to nurture employees to provide them with the relevant knowledge and technical skills, promote innovation and to develop top performing teams. We are working very hard to improve efficiency to keep our projects cost low in order to maintain our existing margins.

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

Major software projects undertaken in 2016 are WillowLynx version 5.2 and improved TouchLynx. Version 5.2 added more features, notably support for Linux OS and improved Historian package capable of handling very fast and large data updates. The feature is critical as WillowLynx is being used in larger and more complex systems.

TouchLynx SCADA now supports 3D graphics. 3D visualization will benefit HMI applications by providing true life shapes, forms process and other details otherwise lost when viewed in 2D manner. 3D animations allows better interactivity with process and equipment similar to the way our eyes perceiving depth, perspective and form.

# Management Discussion and Analysis (continued)

The hardware group developed and released a new expansion card with build-in IO channels and extra serial communication ports to cater for low cost RTU. R&D has also developed RTU solution for the power industry. The unit consist of CPU and IO cards plus all the accessories and peripherals installed in IP certified enclosure. Having this ready-made unit enables faster production and reduce cost.

R&D has embarked on exploring emerging technologies such as Internet of Things ("IoT"). Proof of concept project are currently underway and will continue throughout 2017.

R&D has always been the main strength for Willowglen. R&D employs engineers from many different field of expertise such as circuit design and PCB designers for developing RTU.

There are also OS, firmware, communication, database, and application software engineers capable of developing all the features required for world class SCADA software and RTU. Having such diverse staff allows us to develop both standard and highly customized hardware and software solutions in-house without relying on third party vendors. The average age and experience of our engineers is 33 years and 8 years respectively. The team is expanding as SCADA requirements becoming more complex and Willowglen explores more advance technology.

## FINANCIAL REVIEW

For the financial year ended 31 December 2016, our Group's revenue increased by 10.67% to RM132.00 million from RM119.27 million last financial year. The Group profit after tax increased to RM17.95 million from RM17.51 million last year mainly due to higher turnover.

As in previous years, the Group's main markets continue to be Malaysia and Singapore. The Malaysia operations contributed 31.70% of the Group's revenue with the balance coming from Singapore. The turnover from Malaysia and Singapore operations has increased by 21.17% and 6.26% respectively compared to 2015. We have incurred RM 0.96 million in capital expenditure and RM 2.18 million in R&D expenses for our development efforts.

The Group's basic earnings per ordinary share is 7.51 sen as compared to 7.43 sen in 2015. Our net assets per share has increased to 56.14 sen in 2016 from 50.00 sen in 2015. Net cash and investment securities amounted to RM 46.54 million, with no borrowings.

In recognition of the confidence and support from our shareholders, the Board has recommended a final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2016 for our shareholders' approval at the forthcoming Annual General Meeting. The entitlement and payment dates for the dividend will be on 15 May 2017 and 31 May 2017 respectively.

## MOVING FORWARD

SCADA continues to move towards cloud-based services with the incorporation of IoT technology. The integrated complex solutions are adopted by the traditional SCADA industries such as electricity, gas, water and transportation with the additional purpose of using predictive analytics to improve flexibility, accuracy and efficiency of decision making. The rise of video surveillance and Artificial Intelligence ("AI") commercial availability has also opened potential market avenue of SCADA in smart building, smart manufacturing and smart city development by having more holistic solutions.

# Management Discussion and Analysis (continued)

Our main revenue will continue to be derived from SCADA and integrated video surveillance systems in transportation, power, water, waste-water treatment and housing estate projects, data collection and analytics in smart nation development projects. We will focus in securing jobs using AI and big data application for customers to provide solutions of increasing productivity, less labour dependability and increased security requirements. In Singapore, we will also actively pursue projects in new industries such as transportation and environment. Income from maintenance of installed systems will continue to contribute a major portion of the earnings of the Group.

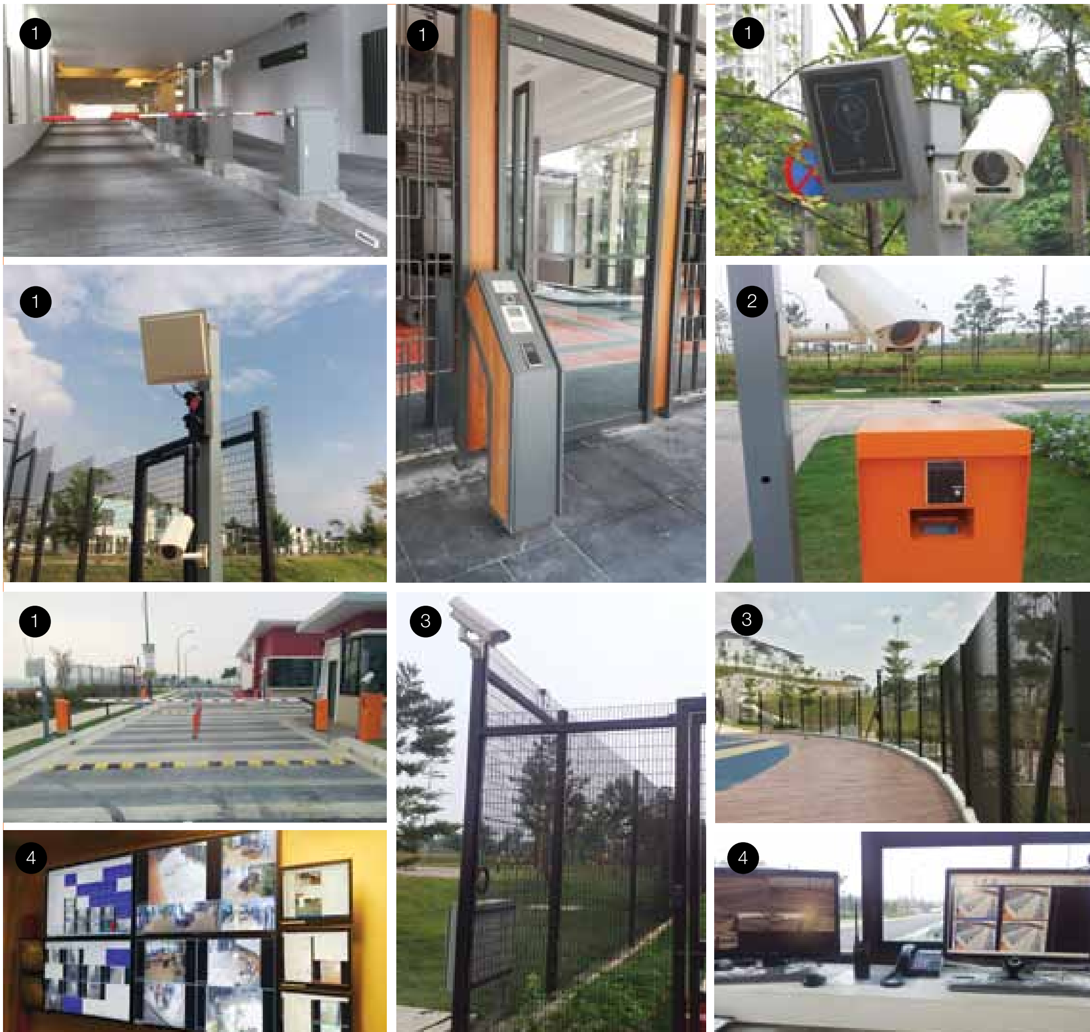
Our operations are subject to a number of risks and in order to ensure that these risks are addressed, our Group has put in place a robust risk framework.

In 2017, we believe our strategies and focus on sustainable long term growth will allow us to weather the challenges ahead and to continue to create value for all our stakeholders.

**Wong Ah Chiew**
Group Managing Director


# SCADA PROJECTS

1. Railway Communication Systems and Station Surveillance System
2. Gas Transmission and Distribution Pipeline Monitoring
3. Oil & Gas
4. Sewerage Treatment Process Control and Plant Monitoring
5. RTU for Power Distribution Sub Station
6. Port Facilities Monitoring
7. Process Control and Plant Monitoring
8. Building Services Monitoring
9. Operations Control Centre




# INTEGRATED MONITORING SYSTEM (IMS) PROJECTS

1. Building Integrated Security and Monitoring Solution
2. Visitor Management System
3. Perimeter Fencing Monitoring
4. Security System Command Centre

# CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

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

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

## Community

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

The Group continues its effort in caring for the people in need and has supported the local charities with donations during the financial year.

## Environment

The Group is responsible and accountable for contributing towards a safe working environment including fostering safe working attitudes and operating in an environmentally responsible manner.

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

The Group also ensures compliance with any change in the environmental laws and regulations, as well as promoting awareness among our staff to minimise the usage of electricity, water and paper. Reusing and recycling of office stationery and paper, switching off the lights and air conditioners when they are not in use are among some of the conservation measures taken by the Group. The staff is also encouraged to fully maximise the benefits of ICT (eg. email, etc)

## Marketplace

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

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

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

# Corporate Social Responsibility Disclosure (continued)

## Workplace

The Group apply fair labour practices, while respecting the national laws of the country and communities where we operate. We treat our employees as the most valuable asset. We believe training and development is important in developing and upgrading skills, knowledge and attitudes to ensure optimal performance. All new staff is given induction training and we constantly provide in-house and external training programmes to enhance and increase employees' job-related skills, knowledge and experience.

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

We continue to place high emphasis on health and safety issues at our workplace. We strive to maintain a safe and healthy working environment for all the employees because creating a safe working environment and ensuring safe practices in all aspects is the paramount duty of the Group. Preventive actions are taken to mitigate risks such as allocating First Aid Kit boxes in office premises and employing security guards.

The Group does not have any specific diversity policy for the workforce in terms of gender, ethnicity and age group. The recruitment and selection process of the Group's workforce is mainly dependent on aspects such as the nature of the job, the skills and experience required for the job.

# CORPORATE GOVERNANCE STATEMENT

The Board of Willowglen MSC Berhad is committed to ensure that the corporate governance adopted and practised are in line with the principles of transparency, accountability and integrity in order to protect and enhance the shareholders' value and corporate performance in the Group. The Board recognises the importance of good corporate governance and fully supports the Principles and Recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

The Board is pleased to present this Statement which outlines the key aspects of how the Company has applied the Principles and Recommendations of MCCG 2012 and the governance standards in accordance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad during the financial year ended 31 December 2016.

## PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITY

### 1.1 The Board

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

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

Various Board Committees, namely, the Audit Committee, the Nomination and Remuneration Committee have been established and delegated with specific responsibilities in accordance with their respective written Terms of Reference to assist the Board in discharging some of its functions.

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 Appointment to the Board

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

The Committee is empowered by its terms of reference and its primary function is to recommend new candidates for directorship to the Board, recommend Directors to fill the seats on the Board 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 are recruited based on their experience, skills, independence and diversity to meet the Company's needs.

# Corporate Governance Statement (continued)

### 1.3 Board Charter and Code of Ethics

The Board Charter 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.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

### 1.4 Strategies to Promote Sustainability

The Board understands that balancing of environment, social and governance ("**ESG**") aspects with the interests of various stakeholders is essential to enhance investors' perception and public trust. Disclosures on corporate responsibility are presented under "Corporate Social Responsibility Disclosure" of this Annual Report. The Sustainability Policies is also available at the Company's website.

### 1.5 Supply of Information

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.

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.

### 1.6 Qualified and Competent Company Secretaries

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.

## PRINCIPLE 2 : STRENGTHEN COMPOSITION

### Board Committees

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

### 2.1 Audit Committee

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 www.willowglen.com.my.

### 2.2 Nomination & Remuneration Committee

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

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

During the financial year 2016, the Nomination & 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 independency 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 had served the Company for more than nine (9) years term; and
- review the terms of office and performance of the Audit Committee and each of its members.

Following the annual review, the Nomination & 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.

The annual assessment of each individual Director enables 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.

The Nomination & 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 Listing Requirements. 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.

# Corporate Governance Statement (continued)

### 2.3 Re-appointment and Re-election of Directors

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

The Nomination & 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 & 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.

### 2.4 Gender, Ethnicity and Age Group Diversity Policies

The Board is cognisant of the gender diversity recommendation promoted by MCCG 2012 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 & 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.

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

### 2.5 Directors' Remuneration

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 & Remuneration Committee. Remuneration of Non-Executive Directors and the Executive Directors is approved by the full Board of Directors with directors' fee recommended to the shareholders for approval.

Directors' remuneration for the financial year ended 31 December 2016 are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| **Directors** | **Directors' Fees (RM)** | **Salaries and Other Emoluments (RM)** | **Directors' Fees (RM)** | **Salaries and Other Emoluments (RM)** |
| Executive | 33,750 | 3,934,115 | 33,750 | – |
| Non-Executive | 60,000 | – | 60,000 | – |
| | 93,750 | 3,934,115 | 93,750 | – |

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

| | Group | | Company | |
|---|---|---|---|---|
| **Remuneration Band** | **Executive Directors** | **Non-Executive Directors** | **Executive Directors** | **Non-Executive Directors** |
| RM50,000 and below | – | 4 | 3 | 4 |
| RM650,000 - RM700,000 | 1 | – | – | – |
| RM1,300,000 - RM1,350,000 | 1 | – | – | – |
| RM1,850,000 - RM1,900,000 | 1 | – | – | – |

## PRINCIPLE 3 : REINFORCE INDEPENDENCE

### 3.1 Board Balance

The Board consists of seven (7) members, comprising the Independent Non-Executive Chairman, the Group Managing Director, the Executive Directors, the Senior Independent Non-Executive Director and two (2) other Independent Non-Executive Directors.

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

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

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

# Corporate Governance Statement (continued)

The position of the Chairman of the Board and the Group Managing Director are separately held by different individuals. The Chairman ensures the orderly conduct and effective running of the Board while the Managing Director manages the Group's day-to-day activities in achieving corporate and business objectives. This is to ensure there is an appropriate balance of roles, responsibilities and accountability at the Board level.

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

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.

### 3.2 Tenure of Independent Non-Executive Directors

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

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

- 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.

## PRINCIPLE 4 : FOSTER COMMITMENT

**Directors' Training**

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.

# Corporate Governance Statement (continued)

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

- Launch of the AGM Guide & CG Breakfast Series : How to Leverage on AGMs for Better Engagement with Shareholders
- MIA International Accountants Conference 2016
- Risk Management Programme for Audit and Risk Committee : I Am Ready to Manage Risks!
- What's Next : The Business Impact of Disruptive Technology
- GST – Practical Issues & Recent Developments
- National GST Conference 2016
- Advanced Corporate Valuation : Beyond Traditional Valuation Methods

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.

## PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Financial Reporting

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

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

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.

### 5.2 Statement of Directors' Responsibility

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

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2016, 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.

# Corporate Governance Statement (continued)

### 5.3 Relationship with External Auditors

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.

## PRINCIPLE 6 : RECOGNISE AND MANAGE RISK

### Risk Management and Internal Control

The Board is supported by the Risk Management Committee which is responsible 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.

The Group's internal audit function is carried out by outsourced external consultants who assist 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. 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 7 : ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure

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.

### 7.2 Leverage on Information Technology for Effective Dissemination of Information

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. These information are also electronically published at the Bursa Securities website and the Company website.

These information includes:-

- Quarterly Announcements
- Annual Reports
- Circular to Shareholders
- Other Important Announcements

## PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### 8.1 Dialogue between Companies and Investors

The Board recognises the importance of keeping the shareholders and investors informed of the Group's business and corporate developments and the Group is guided by the Corporate Disclosure issued by Bursa Securities. The Group practice accurate and timely dissemination of information to shareholders and the investing public. Such information is disseminated via the Group's annual reports, circulars, quarterly results and the various announcements made from time to time.

The Company also maintains a website at www.willowglen.com.my, which provides pertinent and updated information on the corporate and business aspects of the Group. All announcements made to the Bursa Malaysia Securities Berhad are published in the Company's website at www.willowglen.com.my.

### 8.2 Annual General Meeting ("AGM")

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

The notice and agenda of AGM together with Form of Proxy are given to shareholders at least twenty one (21) 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.

### 8.3 Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the MMLR of Bursa Securities. The Board will implement poll voting for all the resolutions to be passed in the forthcoming AGM. The Company will appoint one (1) scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the vote casted.

# 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 Board is pleased to provide the following statement, which outlines the risk management and internal control processes of the Group during the year under review.

This statement is made pursuant to Chapter 15, Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## Board Responsibilities

The Board recognises and 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 the 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.

- **Risk Management Committee**

  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**

  The business units 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 three (3) 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 Board has identified human capital management and development as a key area for risk management and the efforts taken are highlighted in the Management Discussion and Analysis.

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 (continued)

- 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'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 2016 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 Head of 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.

WILLOWGLEN

# Financial statements

# DIRECTORS' REPORT

## 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 2016.

## 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 8 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** | 17,949 | 9,869 |
| **Profit attributable to:** | | |
| Owners of the Company | 18,279 | 9,869 |
| Non-controlling interests | (330) | – |
| | 17,949 | 9,869 |

## 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 tax exempt dividend of 20% on 243,356,600 ordinary shares in respect of the financial year ended 31 December 2015, approved by shareholders at the Annual General Meeting on 27 April 2016 and paid on 26 May 2016 | 4,867 |

At the forthcoming Annual General Meeting, a first and final single-tier dividend of 2 sen per ordinary share, amounting to RM4,866,532/- 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 2017.

## RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as 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 there were no known bad debts to be 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 that 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 that 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 and of the Company to meet their obligations as and when they fall due.

# Directors' Report (continued)

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

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

## ISSUE OF SHARES AND DEBENTURES

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

## TREASURY SHARES

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

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 27 April 2016, have approved the Company's plan to repurchase its own shares.

During the financial year, the Company repurchased 30,000 of its issued ordinary shares of RM0.10 each from the open market at an average price of RM0.66 per ordinary share. The total consideration paid for the repurchased shares including transaction costs was RM19,945/- and the repurchased transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

As at 31 December 2016, the Company held a total of 4,673,400 treasury shares out of its 248,000,000 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,714,133/-. Further details are disclosed in Note 19 to the financial statements.

## 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
Mohd Isa Bin Ismail
Simon Wong Chu Keong
Wang Shi Tsang
Wong Ah Chiew
Tan Jun (Appointed on 1 October 2016)

## 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:

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | At 1.1.2016/ Date of Appointment | Bought | Sold | At 31.12.2016 |
| The Company | | | | |
| **Willowglen MSC Berhad** | | | | |
| **Direct interest** | | | | |
| Wong Ah Chiew | 1,500,000 | – | – | 1,500,000 |
| Tan Jun | 200,091 | – | – | 200,091 |
| **Deemed interest** | | | | |
| Wong Ah Chiew (1) | 76,566,563 | – | – | 76,566,563 |
| Simon Wong Chu Keong (2) | 75,130,263 | – | – | 75,130,263 |

(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.*

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 shares of the Company or its related corporations during the financial year.

# Directors' Report (continued)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 26 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

## DIRECTORS' REMUNERATION

Details of directors' remunerations are set out in Note 26 to the financial statements.

## SUBSIDIARIES

Details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

## AUDITORS' REMUNERATION

Details of the auditors' remuneration are disclosed in Note 25 to the financial statements.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

## SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 36 to the financial statements.

## AUDITORS

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

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: 20 March 2017

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 11,549 | 12,229 | 2,700 | 2,652 |
| Intangible asset | 7 | – | – | – | – |
| Investment in subsidiaries | 8 | – | – | 33,167 | 20,244 |
| Investment in associates | 9 | 13,699 | 13,296 | 150 | – |
| Investment securities | 10 | 5,516 | 3,026 | – | – |
| Deferred tax assets | 11 | – | 199 | – | – |
| **Total non-current assets** | | 30,764 | 28,750 | 36,017 | 22,896 |
| **Current assets** | | | | | |
| Inventories | 12 | 1,248 | 1,381 | – | – |
| Amount due from contract customers | 13 | 47,236 | 35,350 | – | – |
| Trade and other receivables | 14 | 36,900 | 29,782 | 130 | 94 |
| Amount due from subsidiaries | 15 | – | – | 15,935 | 21,781 |
| Tax recoverable | | 139 | 245 | 87 | 91 |
| Cash and cash equivalents | 16 | 41,027 | 43,886 | 3,538 | 5,914 |
| **Total current assets** | | 126,550 | 110,644 | 19,690 | 27,880 |
| **TOTAL ASSETS** | | 157,314 | 139,394 | 55,707 | 50,776 |

# Statements of Financial Position
As at 31 December 2016
(continued)

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 17 | 24,800 | 24,800 | 24,800 | 24,800 |
| Share premium | 18 | 4,440 | 4,440 | 4,440 | 4,440 |
| Treasury shares | 19 | (1,714) | (1,694) | (1,714) | (1,694) |
| Reserves | 20 | 109,081 | 94,041 | 27,814 | 22,812 |
| **Total equity attributable to owners of the Company** | | 136,607 | 121,587 | 55,340 | 50,358 |
| Non-controlling interests | | (192) | 138 | – | – |
| **Total equity** | | 136,415 | 121,725 | 55,340 | 50,358 |
| **Non-current liabilities** | | | | | |
| Employee benefits | 21 | 60 | 72 | – | – |
| Provisions | 22 | 93 | 91 | – | – |
| Deferred tax liabilities | 11 | 118 | 115 | – | – |
| **Total non-current liabilities** | | 271 | 278 | – | – |
| **Current liabilities** | | | | | |
| Amount due to contract customers | 13 | 3,639 | 1,957 | 31 | – |
| Provisions | 22 | 577 | 538 | – | – |
| Trade and other payables | 23 | 12,871 | 11,203 | 336 | 418 |
| Tax payable | | 3,541 | 3,693 | – | – |
| **Total current liabilities** | | 20,628 | 17,391 | 367 | 418 |
| **Total liabilities** | | 20,899 | 17,669 | 367 | 418 |
| **TOTAL EQUITY AND LIABILITIES** | | 157,314 | 139,394 | 55,707 | 50,776 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 24 | 132,000 | 119,268 | 1,677 | 2,081 |
| Cost of sales | | (86,326) | (76,391) | (185) | (114) |
| **Gross profit** | | 45,674 | 42,877 | 1,492 | 1,967 |
| Other income | | 1,569 | 3,050 | 13,925 | 8,735 |
| Administrative expenses | | (25,637) | (25,100) | (5,555) | (4,445) |
| **Operating profit** | | 21,606 | 20,827 | 9,862 | 6,257 |
| Finance costs | | – | – | – | – |
| Share of results of associates, net of tax | | 253 | 242 | – | – |
| **Profit before tax** | 25 | 21,859 | 21,069 | 9,862 | 6,257 |
| Income tax expense | 27 | (3,910) | (3,564) | 7 | – |
| **Profit for the financial year** | | 17,949 | 17,505 | 9,869 | 6,257 |
| **Other comprehensive income, net of tax** | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Foreign currency translation differences for foreign operations | | 1,567 | 8,807 | – | – |
| Fair value changes on available-for-sale financial assets | | 61 | (32) | – | – |
| **Other comprehensive income for the financial year** | | 1,628 | 8,775 | – | – |
| **Total comprehensive income for the financial year** | | 19,577 | 26,280 | 9,869 | 6,257 |

## Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2016

(continued)

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 18,279 | 18,090 | 9,869 | 6,257 |
| Non-controlling interests | | (330) | (585) | – | – |
| | | 17,949 | 17,505 | 9,869 | 6,257 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 19,907 | 26,844 | 9,869 | 6,257 |
| Non-controlling interests | | (330) | (564) | – | – |
| | | 19,577 | 26,280 | 9,869 | 6,257 |
| **Earnings per ordinary share attributable to owners of the Company (sen)** | | | | | |
| - basic | 28 | 7.51 | 7.43 | | |
| - diluted | 28 | 7.51 | 7.43 | | |

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

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

| | | Attributable to Owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-Distributable | | | | Distributable | | | | |
| 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 2016** | | 24,800 | (1,694) | 4,440 | (7,585) | 15,168 | (32) | 86,490 | 121,587 | 138 | 121,725 |
| Foreign currency translation differences for foreign operations | | – | – | – | – | 1,567 | – | – | 1,567 | – | 1,567 |
| Fair value changes on available-for-sale financial assets | | – | – | – | – | – | 61 | – | 61 | – | 61 |
| Total other comprehensive income for the financial year | | – | – | – | – | 1,567 | 61 | – | 1,628 | – | 1,628 |
| Profit for the financial year | | – | – | – | – | – | – | 18,279 | 18,279 | (330) | 17,949 |
| **Total comprehensive income for the financial year** | | – | – | – | – | 1,567 | 61 | 18,279 | 19,907 | (330) | 19,577 |
| **Transactions with owners:** | | | | | | | | | | | |
| Repurchase of treasury shares | 19 | – | (20) | – | – | – | – | – | (20) | – | (20) |
| Dividends | 29 | – | – | – | – | – | – | (4,867) | (4,867) | – | (4,867) |
| **Total transactions with owners** | | – | (20) | – | – | – | – | (4,867) | (4,887) | – | (4,887) |
| **At 31 December 2016** | | 24,800 | (1,714) | 4,440 | (7,585) | 16,735 | 29 | 99,902 | 136,607 | (192) | 136,415 |

# Statements of Changes in Equity

For the financial year ended 31 December 2016

(continued)

| 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to Owners of the Company | | | | | | | | | |
| | | | | Non-Distributable | | | | Distributable | | | |
| **At 1 January 2015** | | 24,800 | (1,670) | 4,440 | (7,585) | 6,382 | – | 73,268 | 99,635 | 702 | 100,337 |
| Foreign currency translation differences for foreign operations | | – | – | – | – | 8,786 | – | – | 8,786 | 21 | 8,807 |
| Fair value changes on available-for-sale financial assets | | – | – | – | – | – | (32) | – | (32) | – | (32) |
| Total other comprehensive income for the financial year | | – | – | – | – | 8,786 | (32) | – | 8,754 | 21 | 8,775 |
| Profit for the financial year | | – | – | – | – | - | – | 18,090 | 18,090 | (585) | 17,505 |
| **Total comprehensive income for the financial year** | | – | – | – | – | 8,786 | (32) | 18,090 | 26,844 | (564) | 26,280 |
| **Transactions with owners:** | | | | | | | | | | | |
| Repurchase of treasury shares | 19 | – | (24) | – | – | – | – | – | (24) | – | (24) |
| Dividends | 29 | – | – | – | – | – | – | (4,868) | (4,868) | – | (4,868) |
| **Total transactions with owners** | | – | (24) | – | – | – | – | (4,868) | (4,892) | – | (4,892) |
| **At 31 December 2015** | | 24,800 | (1,694) | 4,440 | (7,585) | 15,168 | (32) | 86,490 | 121,587 | 138 | 121,725 |

# Statements of Changes in Equity
For the financial year ended 31 December 2016
(continued)

| Company | Note | Share Capital RM'000 | Treasury Shares RM'000 | *Non-Distributable* Share Premium RM'000 | *Distributable* Retained Earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2015** | | 24,800 | (1,670) | 4,440 | 21,423 | 48,993 |
| Profit net of tax and total comprehensive income for the financial year | | – | – | – | 6,257 | 6,257 |
| **Transactions with owners:** | | | | | | |
| Repurchase of treasury shares | 19 | – | (24) | – | – | (24) |
| Dividends | 29 | – | – | – | (4,868) | (4,868) |
| Total transactions with owners | | – | (24) | – | (4,868) | (4,892) |
| **At 31 December 2015** | | 24,800 | (1,694) | 4,440 | 22,812 | 50,358 |
| Profit net of tax and total comprehensive income for the financial year | | – | – | – | 9,869 | 9,869 |
| **Transactions with owners:** | | | | | | |
| Repurchase of treasury shares | 19 | – | (20) | – | – | (20) |
| Dividends | 29 | – | – | – | (4,867) | (4,867) |
| Total transactions with owners | | – | (20) | – | (4,867) | (4,887) |
| **At 31 December 2016** | | 24,800 | (1,714) | 4,440 | 27,814 | 55,340 |

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

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Profit before tax | 21,859 | 21,069 | 9,862 | 6,257 |
| Adjustments for: | | | | |
| Amortisation of intangible asset | – | 340 | – | – |
| Bargain purchase gain on acquisition of an associate | – | (1,359) | – | – |
| Depreciation of property, plant and equipment | 1,597 | 1,495 | 166 | 128 |
| Dividend income | – | – | (12,622) | (7,363) |
| Finance income | (631) | (549) | (807) | (608) |
| Impairment loss on: | | | | |
| - investment in subsidiaries | – | – | 2,077 | – |
| - amount due from a subsidiary | – | – | 551 | – |
| - trade receivables | 255 | 41 | – | – |
| Intangible asset written-off | – | 1,217 | – | – |
| Inventories written-down | 76 | – | – | – |
| Property, plant and equipment written-off | 52 | 1 | – | – |
| Unrealised gain on foreign exchange | (495) | (647) | (329) | (422) |
| Share of results of associates | (253) | (242) | – | – |
| **Operating profit/(loss) before changes in working capital** | 22,460 | 21,366 | (1,102) | (2,008) |
| Changes in working capital: | | | | |
| Net changes in employee benefits and provisions | 29 | 181 | – | – |
| Net changes in inventories | 57 | 255 | – | – |
| Net changes in contract customers | (10,204) | (5,528) | 31 | (112) |
| Net changes in receivables | (7,373) | (9,250) | (36) | 269 |
| Net changes in payables | 1,668 | 576 | (82) | (52) |
| Net changes in inter-company balances | – | – | (9,376) | (5,978) |
| **Net cash flows from/(used in) operations carried forward** | 6,637 | 7,600 | (10,565) | (7,881) |

## Statements of Cash Flows
For the financial year ended 31 December 2016
(continued)

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Net cash flows from/(used in) operations brought forward** | | 6,637 | 7,600 | (10,565) | (7,881) |
| Interest received | | 631 | 549 | 807 | 608 |
| Income tax paid | | (4,327) | (3,451) | (40) | 17 |
| Income tax refunded | | 521 | – | 51 | – |
| **Net cash flows from/(used in) operating activities** | | 3,462 | 4,698 | (9,747) | (7,256) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | |
| Purchase of property, plant and equipment | | (957) | (1,301) | (214) | (81) |
| Proceeds from disposal of property, plant and equipment | | – | – | – | 280 |
| Purchase of investment securities | | (2,250) | (2,833) | – | – |
| Acquisition of associate | | (150) | (11,695) | (150) | – |
| Dividends received | | – | – | 12,622 | 7,363 |
| Changes in pledged deposits | | (23) | (249) | (16) | (14) |
| **Net cash flows (used in)/from investing activities** | | (3,380) | (16,078) | 12,242 | 7,548 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | |
| Repurchase of treasury shares | | (20) | (24) | (20) | (24) |
| Dividends paid | 30 | (4,867) | (4,868) | (4,867) | (4,868) |
| **Net cash used in financing activities** | | (4,887) | (4,892) | (4,887) | (4,892) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD** | | (4,805) | (16,272) | (2,392) | (4,600) |

# Statements of Cash Flows

For the financial year ended 31 December 2016

(continued)

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **NET CHANGE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD** | | (4,805) | (16,272) | (2,392) | (4,600) |
| Effect of exchange rate changes | | 1,923 | 9,019 | – | 422 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR** | | 41,916 | 49,169 | 5,324 | 9,502 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | | 39,034 | 41,916 | 2,932 | 5,324 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS:** | | | | | |
| Fixed deposits placed with licensed banks | | 15,987 | 24,143 | 606 | 5,730 |
| Short term investments | | 2,035 | 105 | 2,035 | 105 |
| Cash and bank balances | | 23,005 | 19,638 | 897 | 79 |
| | 16 | 41,027 | 43,886 | 3,538 | 5,914 |
| Less: Pledged deposits | | (1,993) | (1,970) | (606) | (590) |
| | | 39,034 | 41,916 | 2,932 | 5,324 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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 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 8 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 20 March 2017.

## 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, 1965 in Malaysia.

### 2.2 Adoption of Amendments/Improvements to MFRSs

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

| Amendments/Improvements to MFRSs | |
|---|---|
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| MFRS 7 | Financial Instruments: Disclosures |
| MFRS 10 | Consolidated Financial Statements |
| MFRS 11 | Joint Arrangements |
| MFRS 12 | Disclosure of Interest in Other Entities |
| MFRS 101 | Presentation of Financial Statements |
| MFRS 116 | Property, Plant and Equipment |
| MFRS 119 | Employee Benefits |
| MFRS 127 | Separate Financial Statements |
| MFRS 128 | Investments in Associates and Joint Ventures |
| MFRS 138 | Intangible Assets |
| MFRS 141 | Agriculture |

The adoption of the above amendments/improvements to MFRSs 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.

## 2. BASIS OF PREPARATION (Continued)

### 2.3 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation ("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 and new IC Int that have been issued, but yet to be effective:

| | | Effective for financial periods beginning on or after |
|---|---|---|
| New MFRSs | | |
| MFRS 9 | Financial Instruments | 1 January 2018 |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 16 | Leases | 1 January 2019 |
| | | |
| Amendments/Improvements to MFRSs | | |
| MFRS 1 | First-time Adoption of MFRSs | 1 January 2018 |
| MFRS 2 | Share-Based Payment | 1 January 2018 |
| MFRS 4 | Insurance Contracts | 1 January 2018 |
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 12 | Disclosure of Interests in Other Entities | 1 January 2017 |
| MFRS 107 | Statement of Cash Flows | 1 January 2017 |
| MFRS 112 | Income Taxes | 1 January 2017 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2018/ Deferred |
| MFRS 140 | Investment Property | 1 January 2018 |
| | | |
| New IC Int | | |
| IC Int 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |

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

# Notes to the Financial Statements (continued)

## 2. BASIS OF PREPARATION (Continued)

### 2.3 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation ("IC Int") that have been issued, but yet to be effective (Continued)

***MFRS 9 Financial Instruments***

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  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. 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.

- 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.

## 2. BASIS OF PREPARATION (Continued)

### 2.3 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation ("IC Int") that have been issued, but yet to be effective (Continued)

***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:

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

***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.

***Amendments to MFRS 1 First-time Adoption of MFRSs***

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 *Financial Instruments: Disclosure*, MFRS 119 *Employee Benefits* and MFRS 10 *Consolidated Financial Statements* because they are no longer applicable.

# Notes to the Financial Statements (continued)

## 2. BASIS OF PREPARATION (Continued)

### 2.3 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation ("IC Int") that have been issued, but yet to be effective (Continued)

***Amendments to MFRS 2 Share-Based Payment***

Amendments to MFRS 2 provide specific guidance on the accounting for:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

***Amendments to MFRS 4 Insurance Contracts***

Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

***Amendments to MFRS 12 Disclosure of Interests in Other Entities***

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

***Amendments to MFRS 107 Statement of Cash Flows***

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

## 2. BASIS OF PREPARATION (Continued)

### 2.3 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation ("IC Int") that have been issued, but yet to be effective (Continued)

***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

***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.

***Amendments to MFRS 140 Investment Property***

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

***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 (continued)

## 2. BASIS OF PREPARATION (Continued)

### 2.3 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretation ("IC Int") that have been issued, but yet to be effective (Continued)

***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.

### 2.4 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 operates ("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 degrees of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

## 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 losses control of the acquirees.

The Group applies the acquisition method of accounting except for business combinations which were accounted using the merger method as subsidiaries that were consolidated prior to 1 January 2006 in accordance with FRS $122_{2004}$ 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 (continued)

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

### 3.1 Basis of Consolidation (Continued)

#### (a) Subsidiaries and business combinations (Continued)

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

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

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

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

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

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

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

### 3.1 Basis of Consolidation (Continued)

#### (a) Subsidiaries and business combinations (Continued)

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.

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.

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

### 3.1 Basis of Consolidation (Continued)

#### (c) Associates (Continued)

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

#### (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 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).

### 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 dates of the transactions.

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.

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

### 3.3 Foreign Currency Transactions and Operations (Continued)

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

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

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

#### (b) Translation of foreign operations

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

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

When a foreign operation is disposed of such that control, significant influence 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.

# Notes to the Financial Statements (continued)

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

### 3.4 Financial Instruments

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

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.

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

### 3.4 Financial Instruments (Continued)

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

(i) Financial assets (Continued)

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.

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.

(ii) Financial liabilities

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.

# Notes to the Financial Statements (continued)

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

### 3.4 Financial Instruments (Continued)

**(a) Subsequent measurement** (Continued)

(ii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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

Other financial liabilities

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 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**

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company 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.

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

### 3.4 Financial Instruments (Continued)

#### (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

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.

### 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 items of property, plant and equipment.

# Notes to the Financial Statements (continued)

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

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

#### (b) Subsequent costs

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

#### (c) Depreciation

Freehold land has an indefinite useful life and therefore is not depreciated.

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% |
| Computers | 20% - 33.33% |
| Furniture and fittings | 10% - 20% |
| Motor vehicles | 12.5% - 20% |
| Office equipment | 10% - 25% |
| Renovation | 10% - 50% |

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

The 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.

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

### 3.6 Leases (Continued)

#### (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.

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.

#### (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 and Other Intangible Assets

#### (a) 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).

# Notes to the Financial Statements (continued)

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

### 3.7 Goodwill and Other Intangible Assets (Continued)

#### (b) Goodwill (Continued)

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.

#### (c) License

The license acquired in a business combination are recognised at fair value at the acquisition date. The license acquired which has finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 3.11(b).

The license is amortised on a straight-line basis over the estimated useful lives, which is five years from the acquisition date.

The useful lives and amortisation methods are reviewed at the end of each reporting period.

### 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 Construction Work-In-Progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of contract assets as amount due by contract customers in the statements of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the contract liabilities in the statements of financial position.

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

### 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 and uncollectibility of financial assets

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.

<u>Loans and receivables and held-to-maturity investments</u>

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.

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

### 3.11 Impairment of Assets (Continued)

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

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.

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.

#### (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").

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.

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

### 3.11 Impairment of Assets (Continued)

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

Where the carrying amount of an asset exceed 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. 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.

#### (b) Treasury shares

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

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

# Notes to the Financial Statements (continued)

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

### 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 make contributions 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 dated 25 March 2003.

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

#### (d) Employee leave entitlements

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

### 3.14 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Revenue and Other Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

**(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.

**(b) Revenue on maintenance contracts**

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

**(c) Sale of goods**

The Group and the Company measure the revenue from a sale of goods at the fair value of the considerations received or receivable, net of any trade discounts, rebates, returns and taxes.

**(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.

# Notes to the Financial Statements (continued)

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

### 3.16 Government Grants

Government grants are recognised at their fair value 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 Group recognises the amounts received for jobs credit scheme at their fair value as other income in the month of receipt of these grants from the government.

### 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.

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

### 3.18 Income Tax (Continued)

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

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.

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 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 (continued)

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

### 3.20 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.

### 3.21 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.

## 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:

### 4.1 Classification of Financial Assets

The Group has classified its investment in debt securities as available-for-sale and fair value through profit and loss financial assets. In applying the accounting policy, the Group assesses its nature and the intention at the end of each reporting period.

### 4.2 Classification of Leases

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

### 4.3 Assessment of Significant Influence on Equity Investments

Judgement is involved in determining whether the Group has any significant influence on equity investments. The directors considered the Group's power to participate in the financial and operating policy decisions. Where there is significant influence, the equity investment will be accounted for as an associate using the equity method.

During the last financial year, the Group had entered into an agreement ("Agreement") to subscribe shares in Willowglen Systems Inc. ("WSI"). Pursuant to the Agreement, the directors have determined the Group does not control the entity and the investment has been accounted for as investment in associate.

### 4.4 Depreciation and Useful Lives of Property, Plant and Equipment

As disclosed in Note 3.5, the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5.

### 4.5 Construction Contracts

Significant judgement is used 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. Total contract value also includes an estimation of the work that are recoverable from the customers. In making judgements, the Group evaluates based on the past experience and work of specialists.

The carrying amounts of amount due by contract customers and amount due to contract customers are disclosed in Note 13.

# Notes to the Financial Statements (continued)

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.6 Impairment of Financial Assets

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

For available-for-sale investments, the Group recognise an impairment loss when there has been a significant or prolonged decline in the market price of the investments. The Group use its judgement to decide when an impairment loss shall be recognised using past experience of similar investments, historical volatility of the prices and current market conditions. The actual eventual losses may be different from the impairment made and this may affect the Group's financial position and results.

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 33.

### 4.7 Write-down of Obsolete or Slow Moving Inventories

The Group reviews the obsolete or slow moving inventories periodically. These reviews performed by the management require judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

The carrying amount of the Group's inventories are disclosed in Note 12.

### 4.8 Provision

The Group use a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Group's historical experience and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. In the case when a provision relates warranty gains, a probability-weighted estimate of the outflows required to settle the obligation is used. In the case of a provision for site restoration costs, a reference contractor's price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimates made.

The carrying amounts of the Group's provision are disclosed in Note 22.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.9 Measurement of Income Taxes

The Group and the Company operate in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group and the Company are disclosed in Note 27.

### 4.10 Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance of the subsidiaries.

The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 11.

### 4.11 Defined Benefits Liability

The Group has defined benefits plan for their employees. The measurement of the present value of defined benefits obligations is based on assumptions on projected employee salaries, incremental rate, pension retirement age and discount rate using high quality corporate bonds in each jurisdiction.

The carrying amount of the Group's employee benefits are disclosed in Note 21.

### 4.12 Impairment of Non-Financial Assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be recoverable (i.e. the carrying amount of the asset is more than the recoverable amount).

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

## Notes to the Financial Statements (continued)

### 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 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2016 | 3,237 | 4,880 | 1,054 | 1,624 | 3,432 | 5,428 | 2,428 | 22,083 |
| Additions | – | – | 49 | 138 | 222 | 445 | 103 | 957 |
| Written-off | – | – | (80) | (7) | (45) | (90) | (52) | (274) |
| Exchange differences | – | – | 13 | 18 | 45 | 54 | 15 | 145 |
| At 31 December 2016 | 3,237 | 4,880 | 1,036 | 1,773 | 3,654 | 5,837 | 2,494 | 22,911 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 January 2016 | 224 | 374 | 709 | 1,159 | 1,974 | 4,244 | 1,170 | 9,854 |
| Depreciation for the financial year | 44 | 112 | 82 | 105 | 567 | 458 | 229 | 1,597 |
| Written-off | – | – | (80) | (7) | (29) | (85) | (21) | (222) |
| Exchange differences | – | – | 11 | 17 | 42 | 52 | 11 | 133 |
| At 31 December 2016 | 268 | 486 | 722 | 1,274 | 2,554 | 4,669 | 1,389 | 11,362 |
| **Carrying Amount at 31 December 2016** | 2,969 | 4,394 | 314 | 499 | 1,100 | 1,168 | 1,105 | 11,549 |

## 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

| 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 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2015 | 2,290 | 4,177 | 879 | 1,388 | 3,047 | 4,832 | 1,770 | 18,383 |
| Additions | – | – | 91 | 141 | 150 | 331 | 588 | 1,301 |
| Transfer from investment property (Note 6) | 947 | 703 | – | – | – | – | – | 1,650 |
| Written-off | – | – | (2) | (5) | – | (36) | – | (43) |
| Exchange differences | – | – | 86 | 100 | 235 | 301 | 70 | 792 |
| At 31 December 2015 | 3,237 | 4,880 | 1,054 | 1,624 | 3,432 | 5,428 | 2,428 | 22,083 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 January 2015 | 185 | 270 | 568 | 971 | 1,271 | 3,627 | 927 | 7,819 |
| Depreciation for the financial year | 39 | 104 | 84 | 111 | 562 | 401 | 194 | 1,495 |
| Written-off | – | – | (2) | (4) | – | (36) | – | (42) |
| Exchange differences | – | – | 59 | 81 | 141 | 252 | 49 | 582 |
| At 31 December 2015 | 224 | 374 | 709 | 1,159 | 1,974 | 4,244 | 1,170 | 9,854 |
| **Carrying Amount at 31 December 2015** | 3,013 | 4,506 | 345 | 465 | 1,458 | 1,184 | 1,258 | 12,229 |

# Notes to the Financial Statements (continued)

## 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

| 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 2016 | 2,397 | 61 | 122 | 1,566 | 128 | 4,274 |
| Additions | – | – | 1 | 213 | – | 214 |
| Written-off | – | – | (6) | (30) | – | (36) |
| At 31 December 2016 | 2,397 | 61 | 117 | 1,749 | 128 | 4,452 |
| **Accumulated Depreciation** | | | | | | |
| At 1 January 2016 | 56 | 56 | 54 | 1,369 | 87 | 1,622 |
| Depreciation for the financial year | 48 | 1 | 8 | 100 | 9 | 166 |
| Written-off | – | – | (6) | (30) | – | (36) |
| At 31 December 2016 | 104 | 57 | 56 | 1,439 | 96 | 1,752 |
| **Carrying Amount at 31 December 2016** | 2,293 | 4 | 61 | 310 | 32 | 2,700 |
| **Cost** | | | | | | |
| At 1 January 2015 | 2,397 | 58 | 88 | 1,802 | 128 | 4,473 |
| Additions | – | 3 | 34 | 44 | – | 81 |
| Disposals | – | – | – | (280) | – | (280) |
| At 31 December 2015 | 2,397 | 61 | 122 | 1,566 | 128 | 4,274 |
| **Accumulated Depreciation** | | | | | | |
| At 1 January 2015 | 8 | 55 | 48 | 1,305 | 78 | 1,494 |
| Depreciation for the financial year | 48 | 1 | 6 | 64 | 9 | 128 |
| Disposals | – | – | – | – | – | – |
| At 31 December 2015 | 56 | 56 | 54 | 1,369 | 87 | 1,622 |
| **Carrying Amount at 31 December 2015** | 2,341 | 5 | 68 | 197 | 41 | 2,652 |

## 6. INVESTMENT PROPERTY

| | Group | |
|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 |
| **At fair value:** | | |
| At 1 January | – | 1,650 |
| Transfer to property, plant and equipment (Note 5) | – | (1,650) |
| At 31 December | – | – |

The investment property is held under long term leaseholds and comprise of a shop office.

In the previous financial year, the rental income earned by the Group from its investment property was RM35,519/-.

## 7. INTANGIBLE ASSET

| | Group | |
|---|---|---|
| **Distributorship** | 2016<br>RM'000 | 2015<br>RM'000 |
| **Cost** | | |
| At 1 January | – | 1,840 |
| Written-off | – | (1,840) |
| At 31 December | – | – |
| **Accumulated amortisation** | | |
| At 1 January | – | 283 |
| Amortisation for the financial year | – | 340 |
| Written-off | – | (623) |
| At 31 December | – | – |
| **Carrying Amount at 31 December** | – | – |

The distributorship has a finite useful life and is amortised on a straight-line basis over the remaining contract period of five years from the acquisition date.

In the previous financial year, the amortisation of the intangible asset of the Group amounted to RM339,600/- was included in administrative expenses.

# Notes to the Financial Statements (continued)

## 8. INVESTMENT IN SUBSIDIARIES

| | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|
| **At cost** | | |
| Unquoted shares | 35,244 | 20,244 |
| Less: Impairment loss | (2,077) | – |
| | 33,167 | 20,244 |

Details of the subsidiaries are as follows:-

| Name of Company | Country of Incorporation | Group's Effective Equity Interest 2016 % | Group's Effective Equity Interest 2015 % | Principal Activities |
|---|---|---|---|---|
| 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 (continued)

## 8. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows (Continued):-

| Name of Company | Country of Incorporation | Group's Effective Equity Interest 2016 % | 2015 % | Principal Activities |
|---|---|---|---|---|
| **Subsidiaries of Willowglen Services Pte. Ltd.** | | | | |
| Willowglen Asia Pte Limited + | Hong Kong | 100 | 100 | Investment holding |
| WLG Solutions Pte. Ltd. + | Singapore | 100 | 100 | Dormant |
| **Subsidiary of WLG Solutions Pte. Ltd.** | | | | |
| Willowglen Vietnam Co., Ltd. + | Vietnam | 100 | – | Design, supply, consultancy, installation, engineering services and maintenance of computer hardware and software |

\+ Audited by auditors other than Baker Tilly Monteiro Heng.

* The subsidiary is consolidated using unaudited management financial statements as it is not required to be audited under the local laws and regulations.

### 8.1 Incorporation of Willowglen Vietnam Co., Ltd.

On 1 July 2016, WLG Solutions Pte. Ltd. ("WLG"), an indirect wholly-owned subsidiary of the Company, had incorporated Willowglen Vietnam Co., Ltd. ("WVCL") with an issued and paid up capital of USD100,000/-. As a result of the incorporation, WVCL became an indirect wholly-owned subsidiary of the Company.

### 8.2 Increase in paid-up share capital in Willowglen (Malaysia) Sdn. Bhd.

On 8 June 2016, the Company had subscribed for additional 15,000,000 ordinary shares of RM1/- each by way of capitalisation of inter-company balances.

# Notes to the Financial Statements (continued)

## 8. INVESTMENT IN SUBSIDIARIES (Continued)

### 8.3 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 2016 % | 2015 % |
|---|---|---|---|
| PT Willowglen Indonesia | Indonesia | 49.92 | 49.92 |
| Sentinel Systems Sdn. Bhd. | Malaysia | 30 | 30 |

Carrying amount of material non-controlling interests:

| | 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| PT Willowglen Indonesia | (43) | 244 |
| Sentinel Systems Sdn. Bhd. | (149) | (106) |
| | (192) | 138 |

Profit or loss allocated to material non-controlling interests:

| | 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| PT Willowglen Indonesia | (287) | (34) |
| Sentinel Systems Sdn. Bhd. | (43) | (551) |
| | (330) | (585) |

## 8. INVESTMENT IN SUBSIDIARIES (Continued)

### 8.4 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. | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| **Summarised statements of financial position** | | | | |
| **As at 31 December** | | | | |
| Non-current assets | 20 | 227 | 53 | 123 |
| Current assets | 331 | 547 | 3 | 88 |
| Non-current liabilities | (60) | (72) | – | – |
| Current liabilities | (377) | (213) | (552) | (564) |
| Net assets/(liabilities) | (86) | 489 | (496) | (353) |
| **Summarised statements of profit or loss and other comprehensive income** | | | | |
| **Financial year ended 31 December** | | | | |
| Revenue | 526 | 386 | – | 110 |
| Total comprehensive loss for the financial year | (574) | (69) | (142) | (272) |
| **Summarised cash flow information** | | | | |
| **Financial year ended 31 December** | | | | |
| Cash flows (used in)/from operating activities | (357) | (132) | (20) | 39 |
| Cash flows used in investing activities | – | (3) | – | (17) |
| Cash flows from financing activities | 167 | – | – | – |
| Net (decrease)/increase in cash and cash equivalents | (190) | (135) | (20) | 22 |
| Dividends paid to non-controlling interests | – | – | – | – |

# Notes to the Financial Statements (continued)

## 9. INVESTMENT IN ASSOCIATES

| | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|
| **At cost** | | |
| Unquoted shares | 13,204 | 13,054 |
| Share of post-acquisition reserves | 495 | 242 |
| | 13,699 | 13,296 |

Details of the associates are as follows:-

| Name of Company | Country of Incorporation | Group's Effective Equity Interest 2016 % | Group's Effective Equity Interest 2015 % | Group's Effective Voting Interest 2016 % | Group's Effective Voting Interest 2015 % | Principal Activities |
|---|---|---|---|---|---|---|
| Secura Malaysia Sdn. Bhd.* | Malaysia | 50 | – | 50 | – | Providing cyber security, homeland security, security consultancy, security systems integration and other security products and services |
| **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.

* The associate is consolidated using unaudited management financial statements.

### 9.1 Incorporation of Secura Malaysia Sdn. Bhd.

On 14 September 2016, the Company entered into a Shareholders Agreement with Secura Group Limited ("SGL") to incorporate a company known as Secura Malaysia Sdn. Bhd. ("Secura") with issued and paid up capital of RM300,000/- comprising 300,000 units of ordinary share.

## 9. INVESTMENT IN ASSOCIATES (Continued)

### 9.2 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<br>31.12.2016 | Secura Malaysia Sdn. Bhd.<br>RM'000 | Willowglen Systems Inc.<br>RM'000 |
|---|---|---|
| **Assets and liabilities:** | | |
| Non-current assets | – | 15,557 |
| Current assets | 300 | 15,722 |
| Non-current liabilities | – | (177) |
| Current liabilities | (1) | (6,215) |
| Net assets | 299 | 24,887 |
| **Results:** | | |
| Profit for the financial year | (1) | 423 |
| Total comprehensive income | (1) | 423 |
| **Included in the total comprehensive income is:** | | |
| Revenue | – | 19,037 |

| | Secura Malaysia Sdn. Bhd.<br>RM'000 | Willowglen Systems Inc.<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| **Reconciliation of net assets to carrying amount:** | | | |
| Cost of investment | 150 | 11,695 | 11,845 |
| Bargain purchase gain on acquisition of an associate | – | 1,359 | 1,359 |
| Carrying amount at fair value | 150 | 13,054 | 13,204 |
| Share of post-acquisition profits | (1) | 496 | 495 |
| Carrying amount in the statements of financial position | 149 | 13,550 | 13,699 |
| **Group's share of results:** | | | |
| Group's share of profit or loss | (1) | 254 | 253 |

# Notes to the Financial Statements (continued)

## 9. INVESTMENT IN ASSOCIATES (Continued)

### 9.2 Summarised financial information of material associates (Continued)

| Group 31.12.2015 | Willowglen Systems Inc. RM'000 |
|---|---|
| Cost of investment | 11,695 |
| Recognised in profit or loss: | |
| Bargain purchase gain on acquisition of an associate | 1,359 |
| Carrying amount at fair value | 13,054 |
| Share of post-acquisition profits | 242 |
| Carrying amount under equity method | 13,296 |
| **Assets and liabilities:** | |
| Non-current assets | 13,757 |
| Current assets | 16,098 |
| Non-current liabilities | (12) |
| Current liabilities | (7,118) |
| Net assets | 22,725 |
| **Results:** | |
| Profit for the financial year | 404 |
| Total comprehensive income | 404 |
| **Included in the total comprehensive income is:** | |
| Revenue | 9,143 |
| **Reconciliation of net assets to carrying amount:** | |
| Share of the net assets at the acquisition date | 13,054 |
| Share of post-acquisition profits | 242 |
| Carrying amount in the statements of financial position | 13,296 |
| **Group's share of results:** | |
| Group's share of profit or loss | 242 |

## 10. INVESTMENT SECURITIES

| | Group | |
|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 |
| **Available-for-sale financial assets** | | |
| - debt securities | | |
| At 1 January | 3,026 | – |
| Acquisition during the financial year | 2,250 | 2,833 |
| Exchange differences | 179 | 225 |
| Fair value changes | 61 | (32) |
| At 31 December | 5,516 | 3,026 |

## 11. DEFERRED TAXATION

The amount determined after appropriate offsetting, are as follows:

| | Group | |
|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 |
| Deferred tax assets | – | 199 |
| Deferred tax liabilities | (118) | (115) |
| | (118) | 84 |

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 | |
|---|---|---|
| | 2016<br>RM'000 | 2015<br>RM'000 |
| At 1 January | 84 | 68 |
| Recognised in profit or loss (Note 27) | | |
| - property, plant and equipment | – | (70) |
| - tax losses | (202) | 19 |
| - other items | – | 67 |
| | (202) | 16 |
| At 31 December | (118) | 84 |

# Notes to the Financial Statements (continued)

## 11. DEFERRED TAXATION (Continued)

| | Group | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| **Deferred tax assets (before offsetting)** | | |
| Unutilised tax losses | – | 199 |
| Other items | – | 196 |
| Offsetting | – | (196) |
| **Deferred tax assets (after offsetting)** | – | 199 |
| **Deferred tax liabilities (before offsetting)** | | |
| Property, plant and equipment | (118) | (196) |
| Other items | – | (115) |
| Offsetting | – | 196 |
| **Deferred tax liabilities (after offsetting)** | (118) | (115) |

Unrecognised deferred tax assets

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Unutilised tax losses | 10,255 | 9,672 | 8,850 | 9,144 |
| Deductible/(taxable) temporary difference | 867 | 102 | 234 | (41) |
| | 11,122 | 9,774 | 9,084 | 9,103 |
| Potential deferred tax assets not recognised at 24% | 2,669 | 2,346 | 2,180 | 2,185 |

## 12. INVENTORIES

| | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|
| **At Cost** | | |
| Consumables | 1,248 | 1,381 |

During the financial year, the write down of inventories to their net realisable values for the Group amounted to RM75,549/- (2015: Nil).

During the financial year, the cost of inventories recognised as an expense amounted to RM29,470,444/- (2015: RM25,367,723/-).

## 13. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

The amount due from/(to) contract customers are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Aggregate costs incurred to date | 129,514 | 103,642 | 49 | – |
| Attributable profits | 49,655 | 35,597 | – | – |
| | 179,169 | 139,239 | 49 | – |
| Less: Progress billings | (135,572) | (105,846) | (80) | – |
| | 43,597 | 33,393 | (31) | – |
| Amount due from contract customers | 47,236 | 35,350 | – | – |
| Amount due to contract customers | (3,639) | (1,957) | (31) | – |
| | 43,597 | 33,393 | (31) | – |
| Contract costs recognised as contract expense during the financial year | 72,554 | 64,099 | – | 26 |
| Contract revenue recognised as contract revenue during the financial year | 103,338 | 93,190 | – | 148 |

# Notes to the Financial Statements (continued)

## 14. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Trade** | | | | |
| Trade receivables | 30,572 | 24,473 | – | – |
| Retention sum | 4,164 | 3,144 | – | – |
| | 34,736 | 27,617 | – | – |
| Less: Impairment loss | (296) | (41) | – | – |
| | 34,440 | 27,576 | – | – |
| **Non-trade** | | | | |
| Other receivables | 249 | 256 | 116 | 71 |
| Deposits | 629 | 605 | 6 | 5 |
| Prepayments | 1,352 | 1,198 | 1 | 11 |
| GST refundable | 230 | 147 | 7 | 7 |
| | 2,460 | 2,206 | 130 | 94 |
| Total trade and other receivables | 36,900 | 29,782 | 130 | 94 |

Trade receivables are non-interest bearing and the normal trade credit terms range from 30 days to 60 days (2015: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Ageing analysis of trade receivables</u>

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

| | Group | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| Neither past due nor impaired | 22,542 | 17,201 |
| 1 to 30 days past due not impaired | 7,407 | 7,689 |
| 31 to 60 days past due not impaired | 1,526 | 387 |
| 61 to 90 days past due not impaired | 1,197 | 50 |
| More than 90 day past due not impared | 1,768 | 2,249 |
| | 11,898 | 10,375 |
| Impaired individually | 296 | 41 |
| | 34,736 | 27,617 |

## 14. TRADE AND OTHER RECEIVABLES (Continued)

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

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

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| At 1 January | 41 | – |
| Charge for the financial year | 255 | 41 |
| At 31 December | 296 | 41 |

## 15. AMOUNT DUE FROM SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Amount due from subsidiaries | | |
| Trade | 50 | 4,038 |
| Non-trade | 16,436 | 17,743 |
| | 16,486 | 21,781 |
| Less: Impairment loss | (551) | – |
| | 15,935 | 21,781 |

The normal trade credit granted to the subsidiaries is 30 days (2015: 30 days).

The amount due from subsidiaries are unsecured, repayable on demand and non-interest bearing, except for amount due from a subsidiary which bears interest at the rate of 4.5% to 4.6% (2015: 4.0%) per annum on a monthly basis.

Notes to the Financial Statements
(continued)

## 16. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Fixed deposits placed with licensed banks | 15,987 | 24,143 | 606 | 5,730 |
| Short term investments | 2,035 | 105 | 2,035 | 105 |
| Cash and bank balances | 23,005 | 19,638 | 897 | 79 |
| **Cash and cash equivalents as reported in statements of financial position** | 41,027 | 43,886 | 3,538 | 5,914 |
| Less: Pledged deposits | (1,993) | (1,970) | (606) | (590) |
| **Cash and cash equivalents as reported in statements of cash flows** | 39,034 | 41,916 | 2,932 | 5,324 |

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 2016 for the Group and the Company were 1.6% and 3.5% (2015: 1.4% and 0.7%) respectively.

Included in the fixed deposits placed with licensed banks of the Group and the Company are an amount of RM1,993,000/- and RM606,000/- (2015: RM1,970,000/- and RM590,000/-) respectively, which have been pledged to licensed bank as securities for banking facilities granted to the Group and the Company.

## 17. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Number of Shares Unit'000 | RM'000 | Number of Shares Unit'000 | RM'000 |
| Ordinary shares of RM0.10 each | | | | |
| **Authorised:** | | | | |
| At 1 January/31 December | 1,000,000 | 100,000 | 1,000,000 | 100,000 |
| **Issued and fully paid:** | | | | |
| At 1 January/31 December | 248,000 | 24,800 | 248,000 | 24,800 |

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.

## 17. SHARE CAPITAL (Continued)

As at 31 December 2016, of the total 248,000,000 (2015: 248,000,000) issued and fully paid ordinary shares of RM0.10 each, 4,673,400 (2015: 4,643,400) ordinary shares of RM0.10 each are currently held as treasury shares by the Company as disclosed in Note 19 to the financial statements. The number of outstanding shares on issue after the share repurchased is 243,326,600 (2015: 243,356,600).

## 18. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965 in Malaysia.

## 19. TREASURY SHARES

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Number of Shares Unit'000 | RM'000 | Number of Shares Unit'000 | RM'000 |
| At 1 January | 4,643 | 1,694 | 4,613 | 1,670 |
| Shares repurchased during the financial year | 30 | 20 | 30 | 24 |
| At 31 December | 4,673 | 1,714 | 4,643 | 1,694 |

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.

During the financial year, the Company repurchased 30,000 (2015: 30,000) shares of its issued ordinary shares of RM0.10 each from the open market at an average price of RM0.660 per share (2015: RM0.807 per share). The total consideration paid for the repurchased shares including transaction costs was RM19,945/- (2015: RM24,378/-). 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 67A of the Companies Act 1965 in Malaysia.

As at 31 December 2016, the Company's treasury shares are held at a carrying amount of RM1,714,133/- (2015: RM1,694,188/-).

# Notes to the Financial Statements (continued)

## 19. TREASURY SHARES (Continued)

The details of repurchased of treasury shares during the financial year were as follows:-

| | Number of Shares Purchased Unit | ← Lowest RM | Price per share Highest RM | → Average RM | Total Consideration RM |
|---|---|---|---|---|---|
| **31.12.2016** | | | | | |
| April 2016 | 30,000 | 0.660 | 0.660 | 0.660 | 19,945 |
| **31.12.2015** | | | | | |
| May 2015 | 10,000 | 0.910 | 0.910 | 0.910 | 9,167 |
| November 2015 | 20,000 | 0.755 | 0.755 | 0.755 | 15,211 |
| | 30,000 | | | | 24,378 |

## 20. RESERVES

| | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|
| **Non-distributable** | | | | |
| Merger deficit | (7,585) | (7,585) | – | – |
| Foreign currency translation reserve | 16,735 | 15,168 | – | – |
| Fair value reserve | 29 | (32) | – | – |
| **Distributable** | | | | |
| Retained earnings | 99,902 | 86,490 | 27,814 | 22,812 |
| | 109,081 | 94,041 | 27,814 | 22,812 |

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

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

Retained earnings

The Company may distribute dividends of its entire retained earnings under single tier system.

## 21. 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 | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Present value of unfunded obligation | 60 | 72 |

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

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| At 1 January | 72 | 54 |
| Current service costs recognised in profit or loss | (17) | 12 |
| Exchange differences | 5 | 6 |
| At 31 December | 60 | 72 |

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| Discount rate | 8% | 8% |
| Future salary growth | 10% | 10% |
| Pension retirement age | 55 | 55 |

## 22. PROVISIONS

| **Group** | **Maintenance Warranties RM'000** | **Reinstatement Costs RM'000** | **Total RM'000** |
|---|---|---|---|
| At 1 January 2016 | 538 | 91 | 629 |
| Recognised in profit or loss | 388 | – | 388 |
| Utilised during the financial year | (331) | – | (331) |
| Reversed during the financial year | (18) | – | (18) |
| Exchange differences | – | 2 | 2 |
| At 31 December 2016 | 577 | 93 | 670 |

# Notes to the Financial Statements (continued)

## 22. PROVISIONS (Continued)

| | Maintenance Warranties RM'000 | Reinstatement Costs RM'000 | Total RM'000 |
|---|---|---|---|
| **31.12.2016** | | | |
| Current | 577 | – | 577 |
| Non-current | – | 93 | 93 |
| | 577 | 93 | 670 |
| **31.12.2015** | | | |
| Current | 538 | – | 538 |
| Non-current | – | 91 | 91 |
| | 538 | 91 | 629 |

Maintenance warranties

The provision for maintenance warranties represents the present value of the directors' best estimates of future economic obligation that will be required under the Group's obligation for warranties on certain projects completed in prior years. The provision is recognised based on estimation made from historical warranty data.

Reinstatement costs

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

## 23. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Trade** | | | | |
| Trade payables | 9,290 | 8,695 | 5 | 37 |
| **Non-trade** | | | | |
| Other payables | 471 | 65 | 45 | 51 |
| GST payables | 529 | 140 | 3 | 4 |
| Accruals | 2,581 | 2,303 | 283 | 326 |
| | 3,581 | 2,508 | 331 | 381 |
| Trade and other payables | 12,871 | 11,203 | 336 | 418 |

## 23. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 days to 60 days (2015: 30 days to 60 days).

(b) Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (2015: 30 days to 60 days).

(c) Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (2015: 30 days to 60 days).

(d) Included in other payables of the Group is an amount of RM167,000/- (2015: Nil) owing to non-controlling interest of the Group.

For explanation on the Group's and the Company's liquidity risk management processes, refer to Note 33.2(b).

## 24. REVENUE

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Contract revenue | 103,338 | 93,190 | – | 148 |
| Maintenance contracts | 28,662 | 25,913 | – | – |
| Miscellaneous income | – | 165 | 1,677 | 1,933 |
| | 132,000 | 119,268 | 1,677 | 2,081 |

## 25. PROFIT BEFORE TAX

Profit before tax has been arrived at:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| After charging: | | | | |
| Amortisation of intangible asset | – | 340 | – | – |
| Auditors' remuneration: | | | | |
| - Audit fees | | | | |
| - current year | 151 | 123 | 52 | 26 |
| - prior year | 17 | 2 | 11 | 2 |
| - Non-audit fees | 9 | 9 | 9 | 9 |
| Intangible asset written-off | – | 1,217 | – | – |

# Notes to the Financial Statements (continued)

## 25. PROFIT BEFORE TAX (Continued)

Profit before tax has been arrived at (Continued):

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| After charging (Continued): | | | | |
| Property, plant and equipment written-off | 52 | 1 | – | – |
| Impairment loss on: | | | | |
| - investment in subsidiaries | – | – | 2,077 | – |
| - amount owing by a subsidiary | – | – | 551 | – |
| - trade receivables | 255 | 41 | – | – |
| Inventories written-down | 76 | – | – | – |
| Depreciation of property, plant and equipment | 1,597 | 1,495 | 166 | 128 |
| Directors' remuneration (Note 26) | 4,572 | 4,360 | 94 | 90 |
| Staff costs: | | | | |
| - salaries, allowances and bonuses | 31,288 | 28,423 | 2,051 | 3,011 |
| - defined contribution plans | 4,174 | 3,677 | 217 | 346 |
| - socso | 92 | 75 | 13 | 24 |
| Loss on foreign exchange: | | | | |
| - realised | 65 | – | 3 | – |
| - unrealised | 18 | – | – | – |
| Rental of offices | 1,372 | 1,548 | 4 | 4 |
| Rental of staff accomodation | 37 | 32 | – | – |
| And crediting: | | | | |
| Dividend income from a subsidiary | – | – | 12,622 | 7,363 |
| Income from: | | | | |
| - loan and receivables | 460 | 487 | 807 | 608 |
| - available-for-sale financial assets | 171 | 62 | – | – |
| Gain on foreign exchange: | | | | |
| - realised | – | 224 | – | 162 |
| - unrealised | 513 | 647 | 329 | 422 |
| Rental income | 14 | 40 | 170 | 180 |
| Bargain purchase gain on acquisition of an associate | – | 1,359 | – | – |
| Government grants | 602 | 455 | – | – |

Included in the interest income from loan and receivables of the Company is interest of RM739,814/- (2015: RM507,279/-) from amount due from subsidiaries.

## 26. DIRECTORS' REMUNERATION

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Executive directors** | | | | |
| Fees | 34 | 30 | 34 | 30 |
| Salaries, bonus and other emoluments | 3,934 | 3,769 | – | – |
| Defined contribution plan | 544 | 501 | – | – |
| | 4,512 | 4,300 | 34 | 30 |
| **Non-executive directors** | | | | |
| Fees | 60 | 60 | 60 | 60 |
| | 4,572 | 4,360 | 94 | 90 |

## 27. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2016 and 2015:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Current income tax** | | | | |
| Taxation in Malaysia | | | | |
| - current year | (619) | (479) | – | – |
| - prior year | (11) | (27) | 7 | – |
| | (630) | (506) | 7 | – |
| Taxation outside Malaysia | | | | |
| - current year | (3,283) | (3,249) | – | – |
| - prior year | 205 | 175 | – | – |
| | (3,078) | (3,074) | – | – |
| Total current income tax | (3,708) | (3,580) | 7 | – |
| **Deferred tax (Note 11)** | | | | |
| Origination and reversal of temporary differences | (202) | 16 | – | – |
| Total deferred tax | (202) | 16 | – | – |
| Total income tax expense | (3,910) | (3,564) | 7 | – |

# Notes to the Financial Statements (continued)

## 27. INCOME TAX EXPENSE (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiary of the Group was 17% for the year of assessment 2016 (2015: 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 | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Profit before tax | 21,859 | 21,069 | 9,862 | 6,257 |
| Tax at Malaysia statutory income tax rate of 24% (2015: 25%) | (5,246) | (5,267) | (2,367) | (1,564) |
| Effect of tax rate in foreign jurisdiction | 1,447 | 1,674 | – | – |
| Share of results of associates | 61 | 61 | – | – |
| Effect of changes in tax rate | – | (9) | – | (9) |
| Adjustments: | | | | |
| - non-deductible expenses | (441) | (697) | (667) | (61) |
| - non-taxable income | 40 | 383 | 3,029 | 1,841 |
| - deferred tax assets not recognised on tax losses and temporary differences | (323) | (209) | 5 | (207) |
| - tax exemption | 316 | 310 | – | – |
| - other items | 42 | 42 | – | – |
| - adjustment in respect of current income tax of prior years | 194 | 148 | 7 | – |
| Income tax expense | (3,910) | (3,564) | 7 | – |

## 28. 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:

| | 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| Profit attributable to owners of the Company | 18,279 | 18,090 |
| Weighted average number of ordinary shares for basic earnings per share | 243,336 | 243,357 |
| Basic earnings per ordinary share (sen) | 7.51 | 7.43 |

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.

## 29. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| **Recognised during the financial year:** | | |
| Dividends on ordinary shares: | | |
| First and final tax exempt dividend of 20% per share for the financial year ended 31 December 2015, paid on 26 May 2016 | 4,867 | – |
| First and final tax exempt dividend of 20% per share for the financial year ended 31 December 2014, paid on 28 May 2015 | – | 4,868 |

At the forthcoming Annual General Meeting, a first and final single-tier dividend of 2 sen per ordinary share, amounting to RM4,866,532/- in respect of the financial year ended 31 December 2016 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 2017.

# Notes to the Financial Statements (continued)

## 30. OPERATING LEASE COMMITMENTS

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

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Not later than one year | 845 | 1,354 |
| Later than one year but not later than five years | – | 790 |
| | 845 | 2,144 |

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

## 31. RELATED PARTIES

### 31.1 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.

### 31.2 Significant Related Party Transactions

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

| | Company | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| **Subsidiaries** | | |
| Sale of goods | 534 | 887 |
| Purchase of goods | 6 | 58 |
| Provision of engineering services | 185 | – |
| Technical advisory fees charged | 958 | 925 |

## 31. RELATED PARTIES (Continued)

### 31.3 Key Management Personnel Remuneration

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Directors' remuneration (Note 26) | 4,572 | 4,360 | 94 | 90 |
| Other Key Management Personnel: | | | | |
| Salaries, bonuses and allowances | 3,720 | 3,413 | 430 | 538 |
| Contribution to defined contribution plans | 349 | 285 | 52 | 65 |
| | 4,069 | 3,698 | 482 | 603 |
| | 8,641 | 8,058 | 576 | 693 |

## 32. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on internal reports of the Group's strategic business units which are regularly reviewed by the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment.

The Group's reportable operating segments which is based on geographical areas are as follows:

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

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

Indonesia : trading, hardware and software consulting services.

Others : investment holdings.

Inter-segment pricing is determined on negotiated basis.

# Notes to the Financial Statements (continued)

## 32. SEGMENT INFORMATION (Continued)

Segment profit

Segment performance is used to measure performance as Group's chief operating decision maker believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these geographical areas. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment asset is measured based on all assets (excluding investment in associates, current and deferred tax assets) of a segment, as included in the internal reports that are reviewed by the Group's operating decision maker.

The amounts of addition to non-current assets is excluding financial instruments and deferred tax assets.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Group's operating decision maker. Hence, no disclosures are made on liabilities.

Geographical Information

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

Major Customers

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

## 32. SEGMENT INFORMATION (Continued)

| | Malaysia RM'000 | Singapore RM'000 | Indonesia RM'000 | Europe RM'000 | Others RM'000 | Adjustments and Elimination RM'000 | Notes | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | |
| **Revenue:** | | | | | | | | |
| External customers | 41,841 | 89,633 | 526 | – | – | – | | 132,000 |
| Inter-segment | 1,713 | 413 | – | – | – | (2,126) | A | – |
| Total revenue | 43,554 | 90,046 | 526 | – | – | (2,126) | | 132,000 |
| **Results:** | | | | | | | | |
| Interest income | 865 | 331 | 4 | – | 171 | (740) | | 631 |
| Interest expense | 740 | – | – | – | – | (740) | | – |
| Impairment loss on: | | | | | | | | |
| - investment in subsidiaries | 2,077 | – | – | – | – | (2,077) | | – |
| - amount owing by a subsidiary | 551 | – | – | – | – | (551) | | – |
| - trade receivables | – | 255 | – | – | – | – | | 255 |
| Depreciation | 967 | 621 | 9 | – | – | – | | 1,597 |
| Share of results of associates | – | – | – | – | – | 253 | | 253 |
| **Segment profit/(loss)** | 11,143 | 20,763 | (373) | – | 80 | (9,754) | B | 21,859 |
| Income tax expense | (638) | (3,078) | (201) | – | – | – | | (3,917) |
| Income tax income | 7 | – | – | – | – | – | | 7 |
| **Profit/(loss) for the financial year** | 10,512 | 17,685 | (574) | – | 80 | (9,754) | B | 17,949 |
| **Assets:** | | | | | | | | |
| Investment in associates | 149 | – | – | – | 13,550 | – | | 13,699 |
| Additions to non-current assets | 508 | 449 | – | – | – | – | | 957 |
| **Segment assets** | 97,412 | 100,974 | 351 | – | 10,052 | (65,313) | C | 143,476 |
| **Geographical information:** | | | | | | | | |
| Revenue by geographical location of customers | 41,288 | 89,633 | 526 | 553 | – | – | | 132,000 |
| Non-current assets | 43,329 | 1,799 | 20 | – | 5,516 | (33,599) | | 17,065 |
| **Major customers** | – | 31,534 | – | – | – | – | | 31,534 |

# Notes to the Financial Statements (continued)

## 32. SEGMENT INFORMATION (Continued)

| | Malaysia RM'000 | Singapore RM'000 | Indonesia RM'000 | Europe RM'000 | Others RM'000 | Adjustments and Elimination RM'000 | Notes | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | |
| **Revenue:** | | | | | | | | |
| External customers | 34,530 | 84,352 | 386 | – | – | – | | 119,268 |
| Inter-segment | 1,953 | 296 | – | – | – | (2,249) | A | – |
| Total revenue | 36,483 | 84,648 | 386 | – | – | (2,249) | | 119,268 |
| **Results:** | | | | | | | | |
| Interest income | 664 | 287 | 43 | – | 62 | (507) | | 549 |
| Interest expense | 507 | – | – | – | – | (507) | | – |
| Amortisation of intangible asset | – | – | – | – | – | 340 | | 340 |
| Intangible asset written-off | – | – | – | – | – | 1,217 | | 1,217 |
| Bargain purchase gain on acquisition of an associate | – | – | – | – | – | 1,359 | | 1,359 |
| Depreciation | 905 | 576 | 14 | – | – | – | | 1,495 |
| Share of results of an associate | – | – | – | – | – | 242 | | 242 |
| Segment profit/(loss) | 7,573 | 20,894 | (116) | – | 34 | (7,316) | B | 21,069 |
| Income tax expense | (538) | (3,073) | – | – | – | – | | (3,611) |
| Income tax income | – | – | 47 | – | – | – | | 47 |
| **Profit/(loss) for the financial year** | 7,035 | 17,821 | (69) | – | 34 | (7,316) | B | 17,505 |
| **Assets:** | | | | | | | | |
| Investment in an associate | – | – | – | – | 13,296 | – | | 13,296 |
| Additions to non-current assets | 795 | 503 | 3 | – | – | – | | 1,301 |
| **Segment assets** | 88,659 | 89,276 | 575 | – | 3,117 | (55,973) | C | 125,654 |
| **Geographical information:** | | | | | | | | |
| Revenue by geographical location of customers | 33,842 | 84,352 | 386 | 688 | – | – | | 119,268 |
| Non-current assets | 30,899 | 1,547 | 27 | – | 3,026 | (20,244) | | 15,255 |
| **Major customers** | – | 29,222 | – | – | – | – | | 29,222 |

## 32. SEGMENT INFORMATION (Continued)

Nature of elimination to arrive at amounts reported in the consolidated financial statements:

(A) Inter-segment revenue are eliminated on consolidation;

(B) Inter-segment revenue and expenses are eliminated on consolidation; and

(C) Inter-segment balances are eliminated on consolidation.

Information about major customer

| | 2016<br>RM'000 | 2015<br>RM'000 |
|---|---|---|
| **Singapore** | | |
| Customer I | 18,238 | 29,222 |
| Customer II | 13,296 | – |
| | 31,534 | 29,222 |

# Notes to the Financial Statements (continued)

## 33. FINANCIAL INSTRUMENTS

### 33.1 Categories of Financial Instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

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

| At 31 December 2016 | Carrying Amount RM'000 | L&R/(FL) RM'000 | AFS RM'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| **Group** | | | |
| Investment securities | 5,516 | – | 5,516 |
| Amount due from contract customers | 47,236 | 47,236 | – |
| Trade and other receivables* | 35,318 | 35,318 | – |
| Cash and cash equivalents | 41,027 | 41,027 | – |
| | 129,097 | 123,581 | 5,516 |
| **Company** | | | |
| Trade and other receivables* | 122 | 122 | – |
| Amount due from subsidiaries | 15,935 | 15,935 | – |
| Cash and cash equivalents | 3,538 | 3,538 | – |
| | 19,595 | 19,595 | – |
| **Financial Liabilities** | | | |
| **Group** | | | |
| Trade and other payables^ | 12,342 | 12,342 | – |
| **Company** | | | |
| Trade and other payables^ | 333 | 333 | – |

* *Exclude prepayments and GST refundable*
^ *Exclude GST payable*

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.1 Categories of Financial Instruments (Continued)

| At 31 December 2015 | Carrying Amount RM'000 | L&R/(FL) RM'000 | AFS RM'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| **Group** | | | |
| Investment securities | 3,026 | – | 3,026 |
| Amount due from contract customers | 35,350 | 35,350 | – |
| Trade and other receivables* | 28,437 | 28,437 | – |
| Cash and cash equivalents | 43,886 | 43,886 | – |
| | 110,699 | 107,673 | 3,026 |
| **Company** | | | |
| Trade and other receivables* | 76 | 76 | – |
| Amount due from subsidiaries | 21,781 | 21,781 | – |
| Cash and cash equivalents | 5,914 | 5,914 | – |
| | 27,771 | 27,771 | – |
| **Financial Liabilities** | | | |
| **Group** | | | |
| Trade and other payables^ | 11,063 | 11,063 | – |
| **Company** | | | |
| Trade and other payables^ | 414 | 414 | – |

* *Exclude prepayments and GST refundable*

^ *Exclude GST payable*

# Notes to the Financial Statements (continued)

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk and market risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

#### (a) Credit Risk

Credit risk is the risk of a financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's exposure to credit risk arises primarily from its receivables and investment in debt securities. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries and financial guarantees given to financial institutions for credit facilities granted to subsidiaries.

**Trade receivables**

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

<u>Exposure to credit risk, credit quality and collateral</u>

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

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group 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 have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 14. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. A significant portion of these trade receivables are regular customers that have been transacting with the Group. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group will not be able to collect all amounts due.

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management (Continued)

#### (a) Credit Risk (Continued)

**Trade receivables** (Continued)

Credit risk concentration profile

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

| | Group | | | |
|---|---|---|---|---|
| | 2016 RM'000 | % | 2015 RM'000 | % |
| **By country:** | | | | |
| Malaysia | 15,746 | 45.7% | 10,056 | 36.5% |
| Singapore | 18,404 | 53.4% | 17,139 | 62.2% |
| Indonesia | 68 | 0.2% | 199 | 0.7% |
| Europe | 222 | 0.7% | 182 | 0.6% |
| | 34,440 | 100.0% | 27,576 | 100.0% |

**Investment securities**

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

Exposure to credit risk

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

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

# Notes to the Financial Statements (continued)

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management (Continued)

**(a) Credit Risk** (Continued)

**Inter company balances**

The Company provides unsecured loans and advances to subsidiaries, except for an amount due from a subsidiary which bears interest rate at 4.5% to 4.6% (2015: 4.0%) per annum on a monthly basis. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk

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

Impairment losses

As at the end of the reporting period, there was an indication that the loans and advances to a subsidiary is not recoverable. The Company has provided for an impairment loss of RM550,866/- (2015: Nil) on amount due by a subsidiary.

**Financial guarantees**

The Company provides unsecured financial guarantees 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.

Exposure to credit risk

The maximum exposure to credit risk amounts to RM33,623,000/- (2015: RM31,588,000/-) representing the outstanding banking facilities of the Company and its subsidiaries as at the end of the reporting period.

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

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

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management (Continued)

#### (b) Liquidity Risk

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

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| **On demand or within 1 year** | | | | |
| Trade and other payables | 12,871 | 11,203 | 336 | 418 |
| Financial guarantee contracts | – | – | 33,623 | 31,588 |
| Total undiscounted financial liabilities | 12,871 | 11,203 | 33,959 | 32,006 |

#### (c) Market Risk

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

**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"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB").

# Notes to the Financial Statements (continued)

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management (Continued)

#### (c) Market Risk (Continued)

**Foreign Currency Risk** (Continued)

Exposure to foreign currency risk

The unhedged financial assets and liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows:

| Group | 2016 Functional currency SGD RM'000 | 2015 Functional currencies RM RM'000 | 2015 Functional currencies SGD RM'000 | 2015 Total RM'000 |
|---|---|---|---|---|
| Financial assets and liabilities not held in functional currencies: | | | | |
| **Cash and cash equivalents** | | | | |
| Singapore Dollar | – | 5,140 | – | 5,140 |
| United States Dollar | 1,470 | 314 | 1,655 | 1,969 |
| Chinese Renminbi | 1,037 | – | 1,411 | 1,411 |
| | 2,507 | 5,454 | 3,066 | 8,520 |
| **Trade payables** | | | | |
| United States Dollar | 303 | – | (108) | (108) |
| Chinese Renminbi | – | – | (12) | (12) |
| | 303 | – | (120) | (120) |

| Company | 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| Financial assets and liabilities not held in functional currencies: | | |
| **Cash and cash equivalents** | | |
| Singapore Dollar | – | 5,140 |

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management (Continued)

#### (c) Market Risk (Continued)

**Foreign Currency Risk** (Continued)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to Singapore Dollar ("SGD"), United States Dollar ("USD") and Chinese Renminbi ("RMB"). The Company's principal foreign currency exposure related mainly to Singapore Dollar ("SGD").

The following table demonstrates the sensitivity of the Group's and the Company's post-tax profit to a reasonably possible change in the SGD, USD and RMB exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Change in rate | RM'000 | RM'000 | RM'000 | RM'000 |
| | | Effect on profit or loss | | Effect on profit or loss | |
| SGD | + 10% | – | 386 | – | 386 |
| | - 10% | – | (386) | – | (386) |
| USD | + 10% | 89 | 140 | – | – |
| | - 10% | (89) | (140) | – | – |
| RMB | + 10% | 79 | 105 | – | – |
| | - 10% | (79) | (105) | – | – |

**Interest Rate Risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate as a result of changes in market interest rates.

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

Exposure to interest rate risk

The Group's exposure to interest rate risk arises primarily from deposits placed with licensed banks. The Company's exposure to interest rate risk arises primarily from advances to subsidiaries and fixed deposits placed with licensed banks. The Group and the Company do not use derivative financial instruments to hedge their risk.

# Notes to the Financial Statements (continued)

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management (Continued)

**(c) Market Risk** (Continued)

**Interest Rate Risk** (Continued)

Exposure to interest rate risk (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Fixed rate instruments** | | | | |
| Financial assets | 15,987 | 24,143 | 606 | 23,838 |
| **Floating rate instrument** | | | | |
| Financial assets | 2,035 | 105 | 8,548 | 105 |

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

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates as at the reporting period would not affect the profit or loss.

Sensitivity analysis for floating rate instrument

A change of 100 basis point in interest rate at the end of the reporting period would have increased/(decreased) the Group and Company's profit net of tax by RM15,466/- and RM64,965/-, assumes that all other variables remain constant.

**(d) Market Price Risk**

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

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

## 33. FINANCIAL INSTRUMENTS (Continued)

### 33.2 Financial Risk Management (Continued)

#### (e) Fair value measurement

**Financial instruments that are not carried at fair value**

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

| Financial assets (current) | Note |
|---|---|
| Amount due from contract customers | 13 |
| Trade and other receivables | 14 |
| Amount due from subsidiaries | 15 |
| Cash and cash equivalents | 16 |
| **Financial liabilities (current)** | |
| Trade and other payables | 23 |

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

**Financial instruments that are carried at fair value**

**Investment securities**

(i) Level 1: Quoted prices (unadjusted) of identical assets in active markets

(ii) Level 2: Inputs other than at quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

(iii) Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs)

Investment securities are measured at fair value at Level 1 of the fair value hierarchy. The fair value of the investment securities is determined directly by reference to its published market bid price as at the financial year end.

The Group and the Company do not have any financial instruments measured at Level 2 and Level 3 as at the current and previous financial years.

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

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 2016 and 31 December 2015.

# Notes to the Financial Statements (continued)

## 34. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies and process during the financial year ended 31 December 2016 and 31 December 2015.

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

## 35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

(i) On 1 July 2016, WLG Solutions Pte. Ltd. ("WLG"), an indirect wholly-owned subsidiary of the Company, had incorporated Willowglen Vietnam Co., Ltd. ("WVCL") with an issued and paid up capital of USD100,000/-. As a result of the incorporation, WVCL became an indirect wholly-owned subsidiary of the Company.

(ii) On 14 September 2016, the Company entered into a Shareholders Agreement with Secura Group Limited ("SGL") to incorporate a company known as Secura Malaysia Sdn. Bhd. ("Secura") with issued and paid up capital of RM300,000/- comprising 300,000 units of ordinary share.

## 36. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

**Companies Act 2016**

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Pursuant to the Circular issued by the Malaysian Institute of Accountants on 2 February 2017, the Companies Commission of Malaysia had clarified that the Companies Act 2016 should be complied with for the preparation of financial statements and the directors' report and the auditors' report thereon commencing from the financial year/period ended 31 January 2017.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

# SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

The following analysis of realised and unrealised profits or losses included in the retained earnings of the Group and of the Company as at 31 December 2016 and 31 December 2015 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - Realised | 103,047 | 85,903 | 27,485 | 22,390 |
| - Unrealised | (443) | 1,004 | 329 | 422 |
| | 102,604 | 86,907 | 27,814 | 22,812 |
| Total share of retained earnings from associates: | | | | |
| - Realised | (209) | 411 | – | – |
| - Unrealised | 704 | (169) | – | – |
| | 495 | 242 | – | – |
| Less: Consolidation adjustments | (3,197) | (659) | – | – |
| Total retained earnings | 99,902 | 86,490 | 27,814 | 22,812 |

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

# STATEMENT BY DIRECTORS

We, **WONG AH CHIEW** and **SIMON WONG CHU KEONG**, being two of the directors of Willowglen MSC Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 54 to 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 138 has been prepared in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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: 20 March 2017

# STATUTORY DECLARATION

I, **CHEW NYUK SEONG**, being the officer primarily responsible for the financial management of Willowglen MSC Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 54 to 137, and the supplementary information set out on page 138 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

..............................................
**CHEW NYUK SEONG**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 20 March 2017.

Before me,

..............................................
Mohd Fitry Abdul Ghani (W703)
Commissioner for Oaths
No: 58A, Jalan Bukit Raja
Taman Seputeh, 58000 Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

To the Members of Willowglen MSC Berhad

**Report on the Financial Statements**

We have audited the financial statements of Willowglen MSC Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 137.

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 2016, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

**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.

From the matters that were communicated with those charged with governance, we determined those matters that required significant audit attention and further identified the matters of most significance in the audit as key audit matters.

Among the factors we considered were areas of higher assessed risk of material misstatement or significant risks identified during the audit, significant auditor judgements relating to areas that involved significant management judgement, and effect on the audit of significant events or transactions that occurred during the financial year.

We have determined the matter below to be the key audit matter to be communicated in our report:

**Recognition of contract revenue (Note 24 to the financial statements)**

The amount of contract revenue recognised in a year is affected by a variety of uncertainties that depend on the outcome of future events. The recognition of revenue requires significant directors' judgement, in particular with regard to estimating the cost to complete.

# Independent Auditors' Report
To the Members of Willowglen MSC Berhad
(continued)

**Key Audit Matters** (Continued)

**Our audit response:**

Our audit procedures on the sample of selected projects included, among others;

- reviewing the controls over the Group's process in recording project costs, preparing project budget and calculating the stage of completion;
- reviewing directors' assumptions by referring to evidence including historical accuracy of the Group's estimates in previous periods, an assessment of the consistency of assumptions across projects, and discussing project progress with project manager;
- checking the computation of the revenue for the projects and considering the implications of identified errors and changes in estimates; and
- checking the mathematical accuracy on the computation of the related contract assets or contract liabilities as a consequence of contract revenue and contract costs recognised during the year.

**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 1965 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.

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.

# Independent Auditors' Report
To the Members of Willowglen MSC Berhad
(continued)

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

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.

**Report on Other Legal and Regulatory Requirements**

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

**Other Reporting Responsibilities**

The supplementary information set out on page 138 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 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**
No. AF 0117
Chartered Accountants

**Heng Fu Joe**
No. 02966/11/2018 J
Chartered Accountant

Kuala Lumpur

Date: 20 March 2017

# 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 2016 are as follows:-

| | **Group (RM'000)** | **Company (RM'000)** |
|---|---|---|
| Audit Fees | 151 | 52 |
| Non Audit Fees | 68 | 14 |

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

Further details of RRPTs of the Group conducted during the financial year ended 31 December 2016 are set out in the Notes to the Audited Financial Statements.

# PROPERTIES

As at 31 December 2016

| Description of Property | Existing Use | Age of Building (Years) | Land Area | Tenure | Date of Acquisition | Net Book Value / Fair Value As at 31 December 2016 (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 | 24 | 246 sq. m. | 93-years leasehold expiring on 19.02.2083 | 01.06.1999 | 2,520,327 |
| 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 | 24 | 490 sq. m. | 93-years leasehold expiring on 19.02.2083 | 30.04.2007 | 2,549,493 |
| **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 | 10 | 103 sq. m. | Freehold | 23.12.2014 | 2,293,326 |

# SHAREHOLDINGS STATISTICS
As at 8 March 2017

| | | |
|---|---|---|
| Number of Issued Shares | : | 248,000,000<br>(including 4,673,400 treasury shares) |
| Issued Share Capital | : | RM24,800,000.00 |
| 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 | 18 | 0.59 | 685 | 0.00 |
| 100-1,000 | 574 | 18.88 | 456,800 | 0.19 |
| 1,001-10,000 | 1,544 | 50.79 | 9,076,400 | 3.73 |
| 10,001-100,000 | 793 | 26.09 | 24,943,400 | 10.25 |
| 100,001 – 12,166,329 * | 109 | 3.59 | 105,751,315 | 43.46 |
| 12,166,330 and above ** | 2 | 0.07 | 103,098,000 | 42.37 |
| **Total** | **3,040** | **100.00** | **243,326,600*** ** | **100.00** |

| | | | |
|---|---|---|---|
| Remark | - | * | Less than 5% of issued holdings |
| | - | ** | 5% and above of issued holdings |
| | - | *** | Excluding 4,673,400 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:-

| | No. of Shares Held | | | |
|---|---|---|---|---|
| Substantial Shareholders | Direct Interest | % | Indirect Interest | % |
| New Advent Sdn Bhd | 75,130,263 | 30.88 | – | – |
| Wong Ah Chiew | 1,500,000 | 0.62 | 76,566,563 ° | 31.47 |
| Simon Wong Chu Keong | – | – | 75,130,263 □ | 30.88 |
| OSK Technology Ventures Sdn Bhd | 28,840,337 | 11.85 | – | – |
| OSK Ventures International Berhad | – | – | 39,140,337 ^ | 16.09 |
| OSK Equity Holdings Sdn Bhd | – | – | 39,140,337 * | 16.09 |
| Tan Sri Ong Leong Huat @ Wong Joo Hwa | – | – | 39,344,837 ∞ | 16.17 |

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

Shareholdings Statistics
As at 8 March 2017
(continued)

## DIRECTORS' SHAREHOLDINGS

| | No. of Shares Held | | | |
|---|---|---|---|---|
| Name of Directors | Direct Interest | % | Indirect Interest | % |
| Wong Ah Chiew | 1,500,000 | 0.62 | 76,566,563 * | 31.47 |
| Simon Wong Chu Keong | – | – | 75,130,263 # | 30.88 |
| Tan Jun | 200,091 | 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 2017.

## THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 8 MARCH 2017

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1 | New Advent Sdn Bhd | 75,130,263 | 30.88 |
| 2 | OSK Technology Ventures Sdn. Bhd. | 27,967,737 | 11.49 |
| 3 | Ling King Ling | 12,056,970 | 4.96 |
| 4 | Jasmin Villa Development Sdn. Bhd. | 12,030,000 | 4.94 |
| 5 | Paul Yii See Yiing | 11,018,000 | 4.53 |
| 6 | OSK Venture Equities Sdn Bhd | 10,300,000 | 4.23 |
| 7 | Hue Nyet Fong | 8,543,700 | 3.51 |
| 8 | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teh Boon Wee (8061725) | 8,301,574 | 3.41 |
| 9 | Au Yiu Joo | 3,809,700 | 1.57 |
| 10 | Malta Corp. Sdn. Bhd. | 2,500,000 | 1.03 |
| 11 | Teh Boon Wee | 2,000,000 | 0.82 |
| 12 | Lim Sin Khong | 1,900,000 | 0.78 |
| 13 | Khor Chai Moi | 1,656,300 | 0.68 |
| 14 | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Fong SiLing (CEB) | 1,600,000 | 0.66 |
| 15 | Aco-Bina Sdn Bhd | 1,517,305 | 0.62 |
| 16 | Wong Ah Chiew | 1,500,000 | 0.62 |
| 17 | Lee Kok Hoong | 1,120,000 | 0.46 |
| 18 | Chan Yan Ping | 1,086,600 | 0.45 |
| 19 | Lin Hai Moh @ Lin See Yan | 1,000,000 | 0.41 |
| 20 | Universal Trustee (Malaysia) Berhad<br>KAF Tactical Fund | 900,000 | 0.37 |
| 21 | RHB Nominees (Tempatan) Sdn Bhd<br>OSK Technology Ventures Sdn. Bhd. | 872,600 | 0.36 |

# Shareholdings Statistics
As at 8 March 2017
(continued)

## THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 8 MARCH 2017 (continued)

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 22 | Andrew Lim Cheong Seng | 800,000 | 0.33 |
| 23 | Kong Lai Chin | 780,000 | 0.32 |
| 24 | HLIB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Yee Kim Ee (CCTS) | 697,100 | 0.29 |
| 25 | Wong Chu Khee | 654,200 | 0.27 |
| 26 | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients) | 650,187 | 0.27 |
| 27 | Ng Sim Tin | 650,000 | 0.27 |
| 28 | Ng Soon Gan | 635,000 | 0.26 |
| 29 | Tee Bon Peng | 601,800 | 0.25 |
| 30 | Leong Keng Yuen | 500,000 | 0.21 |

WILLOWGLEN

**WILLOWGLEN MSC BERHAD**
(Company No. 462648-V)
(Incorporated in Malaysia)

**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 Nineteenth Annual General Meeting ("AGM") of the Company to be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur, Malaysia on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:-

| NO. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the declaration of a final dividend of 2 sen per ordinary share under the single-tier system for the financial year ended 31 December 2016 | | |
| 2. | To re-elect Mr. Wang Shi Tsang as Director | | |
| 3. | To re-elect Mr. Simon Wong Chu Keong as Director | | |
| 4. | To re-elect Ms. Tan Jun as Director | | |
| 5. | To approve the payment of Directors' fees of RM93,750.00 for the financial year ended 31 December 2016 | | |
| 6. | To approve the payment of Directors' benefits to the Independent Non-Executive Directors up to RM17,000.00 from 1 January 2017 until the next AGM of the Company | | |
| 7. | To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company until the conclusion of the next AGM and to authorised 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. | To retain Encik Mohd Isa Bin Ismail as Independent Non-Executive Director | | |
| 11. | Authority to Issue Shares | | |
| 12. | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature | | |
| 13. | Proposed Renewal of Share Buy-Back | | |

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

Signed this ________________ day of ______________________, 2017.

* 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 19 April 2017 ("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(ies) must be deposited at the Company's Share Registrar's Office at 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.

*Please fold here*

Stamp

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

*Please fold here*

WILLOWGLEN
**WILLOWGLEN MSC BERHAD**
(Company No. 462648-V)
(Incorporated in Malaysia)

## QUESTIONS FROM SHAREHOLDERS

The Annual General Meeting ("AGM") of Willowglen MSC Berhad will be held on Wednesday, 26 April 2017 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, 14 April 2017.** Please return the form to our registered office, No. 17, Jalan 2/149B, Taman Sri Endah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur or by facsimile to 03-90571218.

Shareholder's Name

______________________________________________

CDS Account No.

______________________________________________

Question/s

**Please tick ✓ if it is a question directed to the Auditors**

1. ______________________________________________ ☐
______________________________________________
______________________________________________

2. ______________________________________________ ☐
______________________________________________
______________________________________________

3. ______________________________________________ ☐
______________________________________________
______________________________________________

4. ______________________________________________ ☐
______________________________________________
______________________________________________

*Please fold here*

Stamp

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

*Please fold here*

**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

**www.willowglen.com.my**