

WILLOWGLEN

(462648-V)

annual report
2017



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WILLOWGLEN

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth 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, 9 May 2018 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 2017 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 2017. **(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) Wong Ah Chiew (Article 93) **(Resolution 2)**
 - (b) Alfian Bin Tan Sri Mohamed Basir (Article 93) **(Resolution 3)**
 - (c) Teh Chee Hoe (Article 98) **(Resolution 4)**
4. To approve the payment of Directors’ fees of RM128,333.00 for the financial year ended 31 December 2017. **(Resolution 5)**
5. To approve the payment of Directors’ benefits to the Independent Non-Executive Directors up to RM26,000.00 from 10 May 2018 until the next AGM of the Company in year 2019. **(Resolution 6)**
6. To re-appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **(Resolution 7)**

As Special Business

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

7. **Ordinary Resolution**
Retention Of Mr. Wang Shi Tsang As Independent Non-Executive Director

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

(Resolution 8)



Notice of Annual General Meeting (cont'd)

8. **Ordinary Resolution**

Retention Of Encik Alfian Bin Tan Sri Mohamed Basir As Independent Non-Executive Director

“THAT subject to the passing of Ordinary Resolution 3, Alfian Bin Tan Sri Mohamed Basir who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.” **(Resolution 9)**

9. **Ordinary Resolution**

Authority To Issue Shares Pursuant To The Companies Act 2016

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

10. **Ordinary Resolution**

Proposed Renewal Of 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 10 April 2018 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 (cont'd)

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 11)**

11. **Ordinary Resolution**

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

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

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

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

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



Notice of Annual General Meeting (cont'd)

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

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

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

whichever occurs first.

AND THAT the Directors of the Company be authorised to give effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any modifications and/or amendments as may be required by the relevant authorities." **(Resolution 12)**

12. 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 2017, if approved by shareholders, will be payable on 13 June 2018 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 28 May 2018. 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 28 May 2018 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
10 April 2018



Notice of Annual General Meeting (cont'd)

Notes:

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

- i. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

- ii. Ordinary Resolution 6

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

At the Nineteenth Annual General Meeting of the Company held on 26 April 2017, the Company had obtained the shareholders' approval for the payment of Directors' benefits to the Independent Non-Executive Directors up to RM17,000.00 for the period from 1 January 2017 until 9 May 2018, being the appointed date of holding the Twentieth Annual General Meeting of the Company.

The proposed Ordinary Resolution 6, if passed, will authorise the payment of the Directors' benefits to the Independent Non-Executive Directors up to an amount of RM26,000.00 with effect from 10 May 2018 until the next Annual General Meeting of the Company in year 2019 ("**Period**"). The Directors' benefits payable for the Period comprise the meeting allowance payable to the Independent Non-Executive Directors for attendance of Board and/or Board Committee meetings, whenever meetings are called during the Period.



Notice of Annual General Meeting (cont'd)

iii Ordinary Resolution 8

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

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

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

iv. Ordinary Resolution 9

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

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

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



Notice of Annual General Meeting (cont'd)

- v. Ordinary Resolution 10

Authority to Issue Shares Pursuant to the Companies Act 2016

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

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

The Company had been granted a mandate by its shareholders at the Nineteenth Annual General Meeting of the Company held on 26 April 2017 ("**Previous Mandate**"). As at the date of this Notice, no new shares were issued pursuant to the Previous Mandate and hence, no proceeds were raised therefrom.

- vi. Ordinary Resolution 11

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

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

Detailed information of the Proposed Renewal of Shareholders' Mandate is set out in Part A of the Circular/Statement to Shareholders dated 10 April 2018 circulated together with this Annual Report.

- vii. Ordinary Resolution 12

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

The proposed Ordinary Resolution, if passed, will provide a renewed mandate for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company and shall lapse at the conclusion of the next Annual General Meeting unless authority for the renewal is obtained from the shareholders of the Company at a general meeting.

Further information on the Proposed Renewal of Share Buy-Back Authority is set out in Part B of the Circular/Statement to Shareholders dated 10 April 2018 circulated together with this Annual Report.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- (a) Wong Ah Chiew
- (b) Alfian Bin Tan Sri Mohamed Basir
- (c) Teh Chee Hoe

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

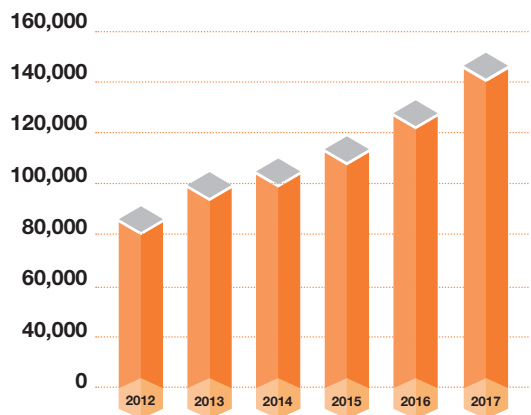
Further details of Directors who are standing for re-election are set out in the Profile of Directors of the Annual Report.

FINANCIAL HIGHLIGHTS

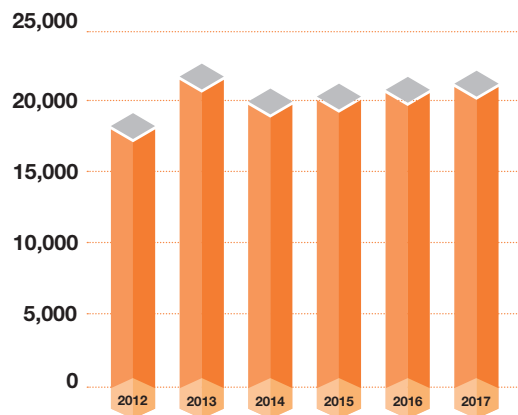
GROUP FINANCIAL SUMMARY	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	83,427	102,611	109,754	119,268	132,000	155,385
Profit Before Tax	18,194	23,112	20,597	21,069	21,859	22,625
Profit Attributable To Owners Of The Company	15,376	19,359	17,414	18,090	18,279	18,717
Total Assets	84,251	104,539	119,033	139,394	157,314	179,392
Total Liabilities	11,919	18,372	18,696	17,669	20,899	30,579
Total Equity Attributable To Owners Of The Company	72,301	85,867	99,635	121,587	136,607	148,426
Basic Earnings Per Ordinary Share (sen)	6.32	7.95	7.15	7.43	7.51	7.69
Dividends Per Share (including special dividend) (sen)	2.50	3.00	2.00	2.00	2.00	2.00
Net Assets Per Share (sen)	29.70	35.30	40.90	50.00	56.14	61.00



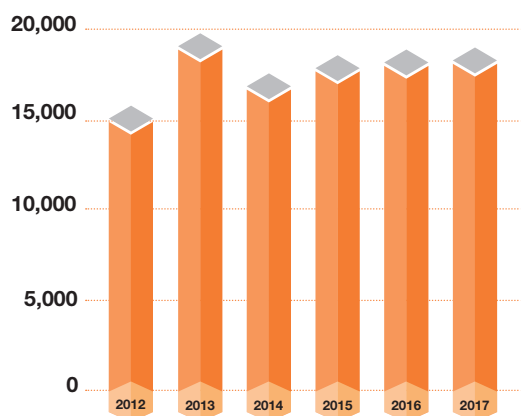
Financial Highlights (cont'd)



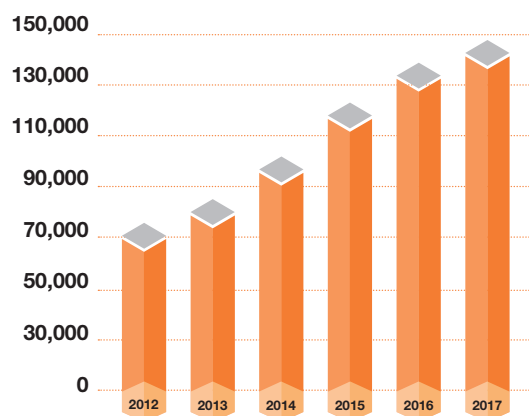
REVENUE (RM'000)



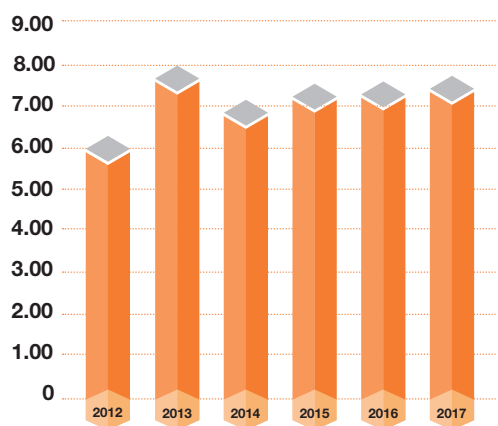
PROFIT BEFORE TAX (RM'000)



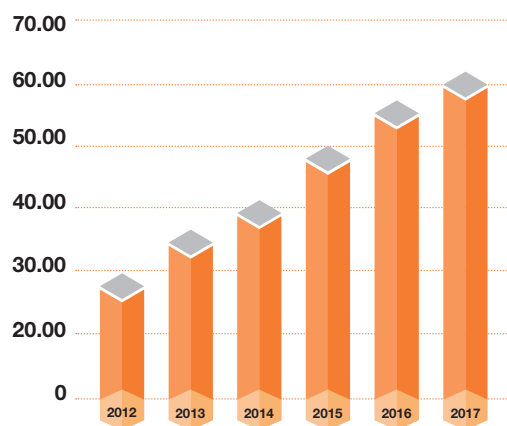
PROFIT ATTRIBUTABLE TO
OWNERS OF THE COMPANY (RM'000)



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



BASIC EARNINGS PER ORDINARY SHARE (SEN)



NET ASSETS PER SHARE (SEN)

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Wong Ah Chiew (Group Managing Director)

Simon Wong Chu Keong (Executive Director)

Tan Jun (Executive Director)

Wang Shi Tsang (Senior Independent Non-Executive Director)

Au Chun Choong (Independent Non-Executive Director)

Mohd Isa Bin Ismail (Independent Non-Executive Director) (Resigned on 31 May 2017)

Teh Chee Hoe (Independent Non-Executive Director) (Appointed on 5 February 2018)

AUDIT COMMITTEE

Wang Shi Tsang (Chairman)

Alfian Bin Tan Sri Mohamed Basir

Au Chun Choong

Mohd Isa Bin Ismail (Ceased as member on 31 May 2017)

Teh Chee Hoe (Appointed on 5 February 2018)

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

NOMINATION & REMUNERATION COMMITTEE

Alfian Bin Tan Sri Mohamed Basir (Chairman)

Wang Shi Tsang

Au Chun Choong

Mohd Isa Bin Ismail (Ceased as member on 31 May 2017)

Teh Chee Hoe (Appointed on 5 February 2018)

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

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: 03-78490777 Fax: 03-78418151

PRINCIPAL BANKERS

CIMB Bank Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of

Bursa Malaysia Securities Berhad



PROFILE OF DIRECTORS

ENCIK ALFIAN BIN TAN SRI MOHAMED BASIR



Male, aged 44, a Malaysian, is the **CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 9 October 2003.

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

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

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

Due to his keen interest in the ICT sector, he left Ernst & Young in 2001 to set up an ICT and management consulting firm, TradeRoof Sdn Bhd. Since then, he had ventured further into the ICT and telecommunications industry, being involved in a number of technology-based companies, particularly in Malaysia and Cambodia. Currently, he is a Non-Independent and Non-Executive Director of WTK Holdings Berhad, an investment holding company. He is also an Independent and Non-Executive Director of EUPE Corporation Berhad. In addition, he also currently sits on the Board of various private limited companies.

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

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

He attended all six (6) Board Meetings held in the financial year ended 31 December 2017.

Profile of Directors (cont'd)

MR. WONG AH CHIEW

Male, aged 70, a Malaysian, is the **GROUP MANAGING DIRECTOR** of the Company. He joined the Board of Directors on 20 May 1998 as First Director of the Company and resigned on 30 July 1998. On 19 June 2000, he was re-appointed to the Board of Directors and subsequently appointed as Group Managing Director on 1 August 2013.

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

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

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

Some of these projects included Taman Dindings, Ayer Tawar; Taman Desa Aman, Teluk Intan; Taman Sri Setapak, Kuala Lumpur; Taman Damai Jaya, Johor and Taman Sri Endah, Kuala Lumpur. Mr. Wong has more than 30 years of experience in property development.

He was the Managing Director of MCB Holdings Berhad, formerly a company listed on Bursa Malaysia Securities Berhad, from 1 August 1992 to 28 November 1997. On 12 December 1997, he was appointed as Director of PJ Development Holdings Berhad and subsequently appointed as Managing Director on 1 January 2006 before his retirement on 31 July 2013.

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

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

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

He attended five (5) out of six (6) Board Meetings held in the financial year ended 31 December 2017.



Profile of Directors (cont'd)

MR. SIMON WONG CHU KEONG



Male, aged 42, a Malaysian, is the **EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 August 2013.

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

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

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

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

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

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

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

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

He attended all six (6) Board Meetings held in the financial year ended 31 December 2017.

Profile of Directors (cont'd)

MS. TAN JUN

Female, aged 49, a China citizen, is the **EXECUTIVE DIRECTOR** of the Company. She was appointed to the Board of Directors on 1 October 2016.

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

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

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

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

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

She attended five (5) out of six (6) Board Meetings held in the financial year ended 31 December 2017.



Profile of Directors (cont'd)

MR. WANG SHI TSANG



Male, aged 64, a Malaysian, is the **SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 27 June 2002.

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

Mr. Wang holds a Master of Science Degree in Taxation from U.S.A. He is a Fellow of the Chartered Tax Institute of Malaysia, an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators. He is also a tax agent 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. From 29 August 2012 to 31 August 2017 he was the Senior Manager-Tax in the same company's Finance Department and was responsible for problem-solving and trouble-shooting in income tax matters and managing the company's Goods and Services Tax.

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

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

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

He attended all six (6) Board Meetings held in the financial year ended 31 December 2017.

Profile of Directors (cont'd)

MR. AU CHUN CHOONG

Male, aged 66, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 1 August 2013.

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

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

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

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

Mr. Au is a Non-Executive Director of Luxchem Corporation Berhad, an investment holding company with its subsidiaries involved in distribution of industrial chemicals and materials. He was also the Independent Non-Executive Director of PJ Development Holdings Berhad from 30 December 1989 to 31 July 2013.

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

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

He attended all six (6) Board Meetings held in the financial year ended 31 December 2017.



Profile of Directors (cont'd)

MR. TEH CHEE HOE



Male, aged 43, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 5 February 2018.

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

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

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

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

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

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

Mr. Teh did not attend any Board Meeting held in the financial year ended 31 December 2017 in view that he was appointed as Independent Non-Executive Director of the Company on 5 February 2018.

PROFILE OF KEY SENIOR MANAGEMENT

DIONG KING EWU Group Operations Director

Nationality/Age/
Gender:
Malaysian/68/ Male

Year of Appointment:
2013

Retired on:
28.02.2018

Academic/Professional
Qualification(s):

- Bachelor's degree in Electrical Engineering from the University of Singapore

Working Experience:

- He began his career in 1975.
- 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.

CHIN SWEE MING Chief Operating Officer

Nationality/Age/
Gender:
Malaysian/50/ Female

Year of Appointment:
2018

Academic/Professional
Qualification(s):

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

Working Experience:

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

NIK AZLAN BIN NIK YUSOFF Chief Technical Officer

Nationality/Age/
Gender:
Malaysian/46/ Male

Year of Appointment:
2010

Academic/Professional
Qualification(s):

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

Working Experience:

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



Profile of Key Senior Management (cont'd)

CHEW NYUK SEONG General Manager – Finance

Nationality/Age/ Gender: Malaysian/47/ Male Year of Appointment: 2014	Academic/Professional Qualification(s): • Member of the Malaysian Institute of Accountants • Association of Chartered Certified Accountants • Institute of Chartered Secretaries and Administrators	Working Experience: • He began his career in 1994. • In 2002, he joined Willowglen (Malaysia) Sdn Bhd ("WMSB") as an Accountant. In 2004, he left WMSB to join Dindings Consolidated Sdn Bhd as the Manager in charge of Accounts and Finance. He joined Willowglen MSC Berhad in 2007 and since then he has been actively involved in the financial and accounting matters of the Group.
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PHAN VEE YEE General Manager – SCADA

Nationality/Age/ Gender: Malaysian/46/ Male Year of Appointment: 2012	Academic/Professional Qualification(s): • Master of Science Degree in Mechatronics, De Montfort University, United Kingdom • Diploma in Electronics Engineering, Tunku Abdul Rahman College, Malaysia • British Engineering Council Part 1 & Part II in Electronics Engineering	Working Experience: • He began his career in 1995. • In December 1999, he joined Willowglen (Malaysia) Sdn Bhd ("WMSB") in the project department. In his current position, his main responsibility in WMSB are project management, planning, lead and train up the project department key personnel and provides support to the marketing team of SCADA business unit.
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KON CHIN HEONG General Manager – IMS

Nationality/Age/ Gender: Malaysian/41/ Male Year of Appointment: 2012	Academic/Professional Qualification(s): • Diploma in Electrical Engineering, Universiti Teknologi Malaysia • Degree of Information Technology, University Malaya	Working Experience: • He began his career in 1999. • In 2002, he joined Willowglen Group as Purchasing Engineer. In 2012, he was appointed to current position and responsible in achieving of sales target and profitability of IMS business unit.
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BOEY GUAN SIANG General Manager - ITS

Nationality/Age/ Gender: Malaysian/52/ Male Year of Appointment: 2016	Academic/Professional Qualification(s): • Diploma in Electronics Engineering, Tunku Abdul Rahman College • British Engineering Council Part I & Part II in Electronics Engineering	Working Experience: • He began his career in 1987. • In 2007, he joined Industronics Bhd as General Manager to spearhead the Audio Visual, Intelligent Transport Systems (ITS) and Communications Division. In 2016, he joined Willowglen Group as General Manager – ITS and responsible to setup the ITS division of the Company.
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Profile of Key Senior Management (cont'd)

LEE MOOI SUM Senior Software Manager

Nationality/Age/
Gender:

Malaysian/45/ Female

Year of Appointment:
2012

Academic/Professional
Qualification(s):

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

Working Experience:

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

CHEONG FONG HOON Head of Business Development Division

Nationality/Age/
Gender:

Singaporean/64/ Male

Year of Appointment:
2012

Academic/Professional
Qualification(s):

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

Working Experience:

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

LEE BENG HONG Head of Project Division

Nationality/Age/
Gender:

Singaporean/59/ Male

Year of Appointment:
2012

Academic/Professional
Qualification(s):

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

Working Experience:

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



Profile of Key Senior Management (cont'd)

PATRICIA LIM PUAY TIN Head of HR/Admin Division

Nationality/Age/
Gender:
Singaporean/54/ 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.

KOH BENG BOON Head of Purchasing/Hardware Division

Nationality/Age/
Gender:
Singaporean/60/ Male

Year of Appointment:
2012

Academic/Professional
Qualification(s):

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

Working Experience:

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

LIU EET SIN Head of Software Division

Nationality/Age/
Gender:
Singaporean/54/ Male

Year of Appointment:
2013

Academic/Professional
Qualification(s):

- Diploma in Electronics & Communication Engineering, Singapore Polytechnic

Working Experience:

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

Profile of Key Senior Management (cont'd)

SIM HOCK SOON Head of Project Division

Nationality/Age/
Gender:
Singaporean/44/ Male
Year of Appointment:
2017

Academic/Professional
Qualification(s):

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

Working Experience:

- He began his career in 1996.
- He joined Willowglen Services Pte Ltd in 2001 as Assistant Software Engineer.
- He was transferred to Projects Division as Project Engineer in 2003 and was promoted as Project Manager in 2010. He had involved in multiple projects and maintenance jobs related to ELV, SCADA and PLC. He was promoted to his current position in 2017.

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

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**
(Senior Independent Non-Executive Director)
- Members : **ALFIAN BIN TAN SRI MOHAMED BASIR**
(Independent Non-Executive Director)
- AU CHUN CHOONG** (Appointed on 27.02.2017)
(Independent Non-Executive Director)
- TEH CHEE HOE** (Appointed on 05.02.2018)
(Independent Non-Executive Director)
- MOHD ISA BIN ISMAIL** (Resigned on 31.05.2017)
(Independent Non-Executive Director)

TERMS OF REFERENCE

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

MEETINGS

The AC held four (4) meetings during the financial year ended 31 December 2017.

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

Directors	Attendance of Meetings
Wang Shi Tsang	4/4
Alfian Bin Tan Sri Mohamed Basir	4/4
Au Chun Choong	3/3
Mohd Isa Bin Ismail (Resigned on 31.05.2017)	1/2

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

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

Audit Committee Report (cont'd)

SUMMARY OF THE WORK OF THE AC 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 2017:-

A. Financial Reporting

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

Date of Meeting	Review of Quarterly Financial Statement
27 February 2017	Fourth quarter results for the financial year ended 31 December 2016
26 April 2017	First quarter results for the financial year ended 31 March 2017
23 August 2017	Second quarter results for the financial year ended 30 June 2017
22 November 2017	Third quarter results for the financial year ended 30 September 2017

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

Subsequent to FYE 31 December 2017, the AC having reviewed the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017, recommended the same to the Board for approval.

B. External Audit

On 27 February 2017, 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 2016, 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 22 November 2017, the AC reviewed the Audit Plan for FYE 31 December 2017 prepared by BTMH, outlining the audit scope, statutory timeline and audit timeframe, areas of focus, fraud consideration and the audit risk assessment, key audit matters and audit fees. The AC was also updated on the key changes introduced in the Companies Act 2016.

The AC had two (2) private sessions with BTMH without the presence of the Executive Directors and management staff on 27 February 2017 and 22 November 2017 to enquire if BTMH had encountered issues during their audit that needed to be brought to the attention of the AC.

BTMH confirmed that they will continuously comply with the relevant ethical requirements regarding independence with respect to the audit of the financial statements of the Company and Group FYE 31 December 2017 in accordance with the International Federation of Accountants Code of Ethics for Professional Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.



Audit Committee Report (cont'd)

Subsequent to FYE 31 December 2017, the AC reviewed the Audit Review Memorandum which had summarised the significant audit findings arising from the statutory audit of the Group and the Company for FYE 31 December 2017, including the key audit matter raised and Management's response to the internal control highlighted by BTMH in the course of their statutory audit.

The AC reviewed the performance of BTMH and was satisfied with their performance, quality of communication, sufficiency and allocation of resources, competency as well as timelines in completing the audit and recommended the re-appointment of BTMH for the FYE 31 December 2018 to the Board for approval by its shareholders at the forthcoming Twentieth Annual General Meeting.

C. Internal Audit

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

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

Areas covered by the Internal Audit included the assessment of internal controls implemented by Management in managing the risks associated with the operating processes covering Project Management, Human Resources, Purchase to Payables, Research and Development and Marketing.

D. Risk Management

During the AC meetings on 26 April 2017 and 23 August 2017, the AC reviewed the reports containing the results of the risk updates deliberated at the meetings of the Management-level Risk Management Committee as follows:-

- Financial Risks
- Operational Risks

E. Related Party Transactions

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

Audit Committee Report (cont'd)

F. Other Matters

- (i) Reviewed the Circular to Shareholders in relation to the proposed renewal of authority for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company, prior to the submission to the Board for approval.
- (ii) Reviewed the AC Report and Statement on Risk Management and Internal Control, prior to submission to the Board for consideration and inclusion in the Annual Report of the Company.

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 carried out two (2) cycles of internal audit review on the operations of Project Management, Human Resources, Purchase to Payables and Research and Development Function of the Group’s Malaysia and Singapore operations.

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

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

The total cost incurred for the outsourced internal audit function of the Group during the year under review amounted to RM26,509.00, inclusive of disbursements (FY2016: RM24,460.00)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

For the financial year under review, the Malaysia operations concentrated its efforts in pursuing opportunities in the transportation, power and Intelligent Transport Systems market. There is a vast market in the supply of Remote Terminal Units ("RTUs") and Field Terminal Units ("FTUs") to the largest electricity utility company in Malaysia due to its continuous upgrade and expansion of power distribution network. In order to be competitive, our Research & Development ("R&D") have put in tremendous efforts and resources in designing our RTUs to use less power with better functionalities at a lower production cost.

The Singapore operations managed to secure projects with a total value of approximately RM 17.00 million in building information management system by using our RTU and WillowLynx software. With the implementation experience in this new market, we hope to secure more projects in the smart building sector. We have put in significant efforts in establishing new working relationships with partners in personnel tracking systems, water treatment process consultants and SCADA consultants.

As the Indonesia operations continue to experience intense competition with low margins, the Group has reallocated the resources to focus on the growing Malaysia and Singapore markets. The Vietnam operations has commenced operations in May 2017 and is currently at exploration stage where we are targeting various business opportunities.

In Canada, we are exploring for opportunities for synergies. During the year the Canada operations have collaborated with the Malaysia operations in a tender for a railway project in Thailand.

The operations of the Group are subject to a number of risks and in order to ensure that these risks are mitigated, the Group has put in place a robust risk management framework.

Rising material costs and difficulty in the recruitment of capable engineers for the expansion of our business remain our main challenges. We are committed to ensure that we have the best teams and develop future talents of the Group to achieve our corporate objectives. A performance management system has been put in place to meet challenges, promote innovation and develop top performing teams.

Research and Development

Each year, we invest significantly in research and development. Our R&D continues to focus on developing new and leveraging existing software and hardware products that are of strategic importance to our future growth. We also work on various customer and project specific development efforts to customize RTU and WillowLynx systems to the unique needs of our customers in connection with specific orders or projects.

WillowLynx version 5.2 was released in June 2017. We are now moving ahead with version 5.3 and next generation of WillowLynx and TouchLynx which will be a game changer due to fast configuration, feature rich graphics and operational agility. We have also leveraged existing software and developed niche products such as data concentrator and protocol converter for large data acquisition applications. For hardware, the full range of RTU product is now available for sale to external system integrators.

Willowglen has also collaborated with R&D center in Canada, Singapore and with reputable research institution to develop solutions for emerging technology such as Internet of Things ("IoT"), concentrating on platform, communication media, protocol, and data analytics. Such collaboration will expedite transformation of research projects into industry-ready hardware and software solutions. Through active management of our investment in research and development, we seek to maintain a balance between short-term and long-term research and development programs and optimize our return on investment.



Management Discussion and Analysis (cont'd)

FINANCIAL REVIEW

Despite a challenging business environment, our Group's revenue increased by 17.72% to RM155.39 million from RM132.00 million last financial year. This was supported by the continuous growth in the Singapore operations where their turnover has increased by 28.11%. The Malaysia operations recorded a decrease in revenue of 5.19% mainly due to the delay in the implementation of integrated monitoring system projects. The Group profit after tax increased to RM18.66 million from RM17.95 million last year mainly due to higher turnover.

The Group's main markets continue to be Malaysia and Singapore where the Singapore operations contributed 73.90% of the Group's revenue with the balance coming from Malaysia. In 2017, we have invested RM3.25 million in R&D activities and incurred RM6.13 million in capital expenditure.

The Group's basic earnings per ordinary share is 7.69 sen as compared to 7.51 sen in 2016. Our net assets per share has increased to 61.00 sen in 2017 from 56.14 sen in 2016. In addition, the Group's net cash and investment securities amounted to RM37.74 million, with no borrowings.

The Board is pleased to recommend a final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2017 for our shareholders' approval at the forthcoming Annual General Meeting. The entitlement and payment dates for the dividend will be on 28 May 2018 and 13 June 2018 respectively.

MOVING FORWARD

Both SCADA and integrated security markets appear to be complemented by IoT and cloud-based Information Technology ("IT"). In addition to the device control and alarm handling for operational usage, real-time information generated by SCADA systems and integrated security systems act as another source of data sources for IoT. Data analytics, data modeling, machine learning, artificial intelligence, web and mobile-based application, enterprise system integration are commonly explored by industries in order to digitise and automate process for decision making and efficiency enhancement.

Cyber security compliance is a fast-growing segment within the SCADA and integrated security markets due to security challenges faced by IT systems. The use of cyber technology and security automation is crucial to protect data and avoid unauthorized data breaches.

In the context of control, operational processes, automation and integration with IT, SCADA and integrated security are effectively used in healthcare, smart factory, smart building, HVAC (heating, ventilation and air conditioning), robotics and even smart city development.

Moving forward into 2018, our revenue will continue to be derived from SCADA and integrated security systems in power, transportation, water and waste water treatment and housing estate projects. We will also pursue opportunities in new sectors like healthcare and airport.

Currently, we are actively working with strategic partners to provide innovative technologies that can enhance existing solutions. We will also focus in providing automation and smart solutions to our customers to address the impacts of labour shortage and ageing workforce. Income from maintenance of installed systems will continue to contribute a substantial portion of the earnings of the Group.



Management Discussion and Analysis (cont'd)

BOARD CHANGES

The Group would like to express our appreciation to En. Mohd Isa Bin Ismail who has resigned as Independent Non-Executive Director of the Company on 31 May 2017. On behalf of the Board, we extend a warm welcome to Mr. Teh Chee Hoe who has joined the Board as Independent Non-Executive Director on 5 February 2018.

Wong Ah Chiew
Group Managing Director



SUSTAINABILITY STATEMENT

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

The Board of Directors (“Board”) acknowledges its responsibility to recognise the increasing relevance of sustainability in our business value and our sustainability statement aims to address the sustainability challenges and opportunities.

The Board is fully committed to carry out its activities in a sustainable manner and to deliver its strategic and operational objectives in accordance with the applicable laws and principles of good governance as well as high standards of integrity. These include efforts to engage with stakeholders and investors through various channels of communications such as our corporate website, quarterly financial reports and Annual General Meeting.

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

The Board has the overall responsibility of the Group’s sustainability matters which are organised into 3 main pillars of sustainability:

- Economic
- Environmental
- Social

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

This sustainability statement discloses material sustainability issues and impacts arising from the activities of the Group.

Economic

The Group strives to maintain high standard of corporate ethics, good corporate governance and strict compliance with all legal and regulatory requirements.

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

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

- Customer focus
- Commitment & ownership
- Teamwork
- Leadership

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

Our dedicated R&D team is committed to deliver state-of-art SCADA software and Remote Terminal Units (“RTUs”) for the requirement of our projects.



Sustainability Statement (cont'd)

Environmental

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

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

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

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

Social

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

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

We constantly look out for strong performers to be groomed into future leaders. We believe that by helping our employees realise their full potential, they will in turn help us to achieve our corporate objectives.

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

The Group recognises its responsibilities to contribute to the capabilities of tomorrow’s workforce and since 2002 we have provided industrial training opportunities to Engineering students from universities and colleges.



Sustainability Statement (cont'd)

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

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

Moving forward

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

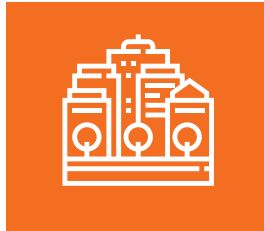


OUR PRODUCTS & SERVICES



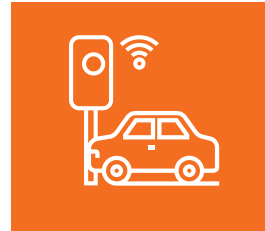
SCADA

Supervisory Control and
Data Acquisition



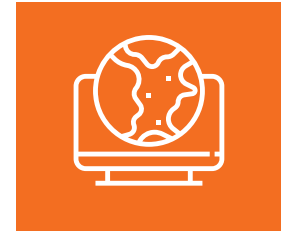
IMS

Integrated Monitoring
System



ITS

Intelligent Transport
System



IIoT

Industrial Internet of Things

OUR STRENGTH



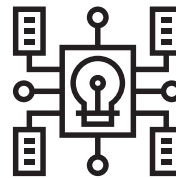
RESEARCH & DEVELOPMENT

Strong R&D and
engineering capabilities.



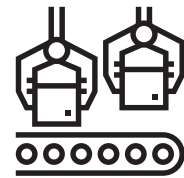
MULTIPLE-FIELD EXPERIENCE

Extensive experience
in Railways, Highways,
Water Treatment, Energy,
Buildings and Industrial
Facilities.



HIGHLY FLEXIBLE

Highly flexible and open
system architecture, no
brand restrictions.



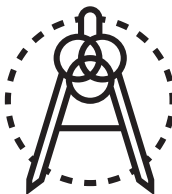
WHOLE PACKAGE

We provide complete
engineering services from
first base to take-off.



SAVE COST & TIME

We help you to reduce
downtime and reduce
costs.



CUSTOM DESIGN

We custom-design to
suit small to large-scale
operations.



EXPERIENCE IN INDUSTRY

We have over 30 years of
industry experience.



TECHNICAL DEPENDABLE

More than 78% of our staff
are technical staff.



OUR PROJECTS



Water & Waste
Water



Oil & Gas



Electrical & Power



Commercial &
Residential



Transportation



WASTE WATER
RECLAMATION



GAS PIPELINES
NETWORK



ENERGY AND
DISTRIBUTION
MANAGEMENT
SYSTEM



LIFT MONITORING
SYSTEM



INTEGRATED SCADA
MALAYSIA



RAW WATER



GAS TRANSMISSION
AND DISTRIBUTION
PIPELINES



INTEGRATED
SECURITY
SYSTEM



LIFT
SURVEILLANCE
SYSTEM



INTEGRATED SCADA
NORTH AMERICA



POTABLE WATER



LIQUID AND GAS
PIPELINES AND
FLOW COMPUTER
MONITORING



POWER
TRANSMISSION
MONITORING



ENERGY
MONITORING
SYSTEM



RAILWAY UTILITIES
MONITORING



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board is pleased to present this Statement which outlines the key aspects of how the Company has applied the principles of the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 31 December 2017. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report (CG Report) as published in the Company's website at <http://www.willowglen.com.my>

Principle A	Principle B	Principle C
Board leadership and effectiveness	Effective audit and risk management	Integrity in corporate reporting and meaningful relationship with stakeholders
• Roles of the Board, the Chairman and Group Managing Director and the Company Secretaries • Board Composition • Board Independence • Tenure of Independent Directors • Board Diversity • Appointment of Directors • Re-election and Re-appointment of Directors • Performance Evaluation • Meetings and Time Commitment • Board Charter and Code of Ethics • Directors' Training and Development • Remuneration	• Audit Committee • Risk Management and Internal Control • Suitability and Independence of External Auditors • Internal Control	• Communication with Stakeholders • Conduct of General Meetings

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

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

The Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. The Board supports the highest standards of corporate governance and the application of the Principles and Practices set out in the MCCG.

Corporate Governance Overview Statement (cont'd)

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

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

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

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

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

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

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

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

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

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



Corporate Governance Overview Statement (cont'd)

- 1.4 The Board meets on a quarterly basis and additionally as and when required. All Directors have full access to information concerning the Company and the Group. Board papers and reports which include quarterly and annual financial statements and corporate information are distributed to the Directors prior to the Board Meeting and to enable Directors to obtain further information, where necessary, in order to be properly briefed before meeting. Senior management staff from different business units are also invited to attend the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management staff.

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

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

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

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

The Board Charter is available at the Company's website at <http://www.willowglen.com.my/board-charter>.

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

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

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

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

Corporate Governance Overview Statement (cont'd)

II. Board Composition

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

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

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

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

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

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

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

The Nomination & Remuneration Committee and Board have assessed the independence of Mr. Wang Shi Tsang and Encik Alfian Bin Tan Sri Mohamed Basir, who each has served on the Board as Independent Non-Executive Directors for more than twelve (12) years and recommend that they be re-appointed as Independent Non-Executive Directors as they continue to bring independent and objective judgement to board deliberations and continue to meet the following criteria for independence in discharging their roles and functions as Independent Non-Executive Directors of the Company subject to the approval from the shareholders of the Company through a two-tier voting process:-

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



Corporate Governance Overview Statement (cont'd)

- 4.3 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 MMLR. The Board is also satisfied that these Directors remain independent of management, and objective in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

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

- 4.4 The Nomination & Remuneration Committee comprises entirely of Independent Non-Executive Directors. 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 and senior management are recruited based on their experience, skills, independence and diversity to meet the Company's needs.

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

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

The Nomination & 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.

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

Corporate Governance Overview Statement (cont'd)

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

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

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

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

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

- Market Outlook Seminar 2017
- National GST Conference 2017
- GST Treatment on International Services
- Capital Market Conference 2017
- Securities Commission Malaysia's Conversation with Audit Committees
- AMLATFPUAA 2001 & Code of Conduct in Capital Market : Risk, Challenges & Vulnerabilities towards Regulatory Compliance
- Understanding ISO 9001:2015 Standard Requirements
- Merger & Acquisition : A Holistic Perspective

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.



Corporate Governance Overview Statement (cont'd)

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

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

During the financial year 2017, 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 independence of the Independent Directors;
- review of required mix of skills, experience and other qualities required for the Board to function completely and effectively;
- reviewed the training programmes attended by the Directors during the financial year;
- recommended to the Board the re-election of Directors who will retire at the forthcoming AGM of the Company;
- recommended to the Board on the retention of independent directors who have served the Company for more than twelve (12) years; and
- reviewed 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.



Corporate Governance Overview Statement (cont'd)

III. Remuneration

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

The remuneration policies and decisions are made through a transparent and independent process.

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

The terms of reference of the Nomination & Remuneration Committee is available at the Company's website.

- 6.2 The Company does not have a remuneration policy for Directors and Senior Management in place.

Though the Company is in the process of drawing up a remuneration framework for the Directors and Senior Management, the Directors' fees and meeting allowances have been reviewed by the Nomination & Remuneration Committee and the Board, thereafter, recommends to the shareholders for approval.

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



Corporate Governance Overview Statement (cont'd)

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

Directors' remuneration (including benefits-in-kind) for the financial year ended 31 December 2017 are as follows:-

Directors	Directors' Fees (RM)	Salaries, Bonus and Other Emoluments (RM)	Total Remuneration (RM)
Executive:-			
Wong Ah Chiew	20,000	2,130,979	2,150,979
Simon Wong Chu Keong	20,000	861,708	881,708
Tan Jun	20,000	1,488,415	1,508,415
Non-Executive:-			
Alfian Bin Tan Sri Mohamed Basir	20,000	—	20,000
Wang Shi Tsang	20,000	—	20,000
Au Chun Choong	20,000	—	20,000
Mohd Isa Bin Ismail	8,333	—	8,333
Total:	128,333	4,481,102	4,609,435

The remuneration of the top 5 Senior Management in each remuneration band for the financial year ended 31 December 2017 is as follows:-

Remuneration Bands	No. of Executives
RM250,000 – RM300,000	1
RM850,000 – RM900,000	1
RM1,100,000 – RM1,150,000	1
RM1,500,000 – RM1,550,000	1
RM2,150,000 – RM2,200,000	1



Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

8.0 There is an effective and independent Audit Committee.

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

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

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

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2017, appropriate accounting policies have been adopted, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all the relevant approved accounting standards have been followed in the preparation of these statements.

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

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

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

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

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



Corporate Governance Overview Statement (cont'd)

II. Risk Management and Internal Control Framework

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

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

The Board is supported by the Management-level 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.

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.

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

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

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

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

I. Communication with Stakeholders

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

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

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

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

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



Corporate Governance Overview Statement (cont'd)

II. Conduct of General Meetings

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

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

Pursuant to the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may be properly moved and is intended to be moved at any general meeting, is voted by poll. The Company had conducted its voting on all resolutions by poll at its Nineteenth AGM held on 26 April 2017.

The Company will explore providing facilities for poll voting via electronic means to expedite verification and counting of votes.

Notice of the AGM and annual reports are sent out to the shareholders at least twenty-one (21) days before the date of meeting. 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. The last year AGM was held on 26 April 2017 and the Notice convening the AGM was sent to shareholders on 3 April 2017. In addition to sending the notice, the Company also published the AGM Notice on its website.

In line with Practice 12.1 of MCCG, the notice convening the Twentieth AGM is given to the shareholders at least twenty-eight (28) days before AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf.



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 a management-level Risk Management Committee ("RMC") to oversee the overall risk management process. Senior management contributes to the formulation of operating policies and procedures, including authority limits. The internal audit function checks that such operating policies and procedures have been complied with and also checks on the effectiveness of the internal controls.

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

Risk Management Framework

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

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

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

- **Board of Directors**

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

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

- **RMC**

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

- **Business Units and Departments**

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

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

The RMC comprises four (4) representatives of the Board and four (4) members of the management team, whilst each business unit's risk management is led by the respective head of unit. The RMC oversees the potential risks concerning the business and operations to ensure that they are effectively managed and reports its concerns to the Board and the Audit Committee. Risk management is a continuous process of identifying, evaluating, managing and reviewing significant risks faced by the businesses in the Group.

RMC meets at least three (3) times per annum and the invitees from the respective business units attend the RMC meetings to brief the committee on the significant risks identified so that these risks are constantly monitored and appropriate actions are promptly taken.

Control Structure and Environment

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

The 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 (cont'd)

- The Board and Audit Committee have engaged the Outsourced Internal Auditors (“OIA”) to carry out the internal audit function, with the function reporting to the Audit Committee. The OIA monitors compliance with policies and procedures and the effectiveness of internal controls. The OIA adopts a risk-based approach in identifying areas of priority and carries out its duties according to the annual internal audit plan approved by the Audit Committee. The OIA also carries out follow up audits. Findings in respect of any material non-compliance are reported to the Audit Committee.
- The Audit Committee reviews the audit reports on internal control and risk issues identified by the OIA and external auditors and ensure Management takes prompt and adequate corrective actions on the reported weaknesses and non-compliances identified in the audits.
- The Group has implemented a comprehensive Quality Management System which fully complies with ISO 9001:2015 Quality Management Systems – Requirements. As part of the requirements of the ISO 9001:2015 certification accredited to the Group, scheduled internal quality audits are conducted each year by personnel independent of the processes being audited. Results of the audit are reported to the Executive Directors and management team where prompt actions are taken on areas requiring further improvement.

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

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the risk management processes and internal controls.

Conclusion

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

The Board has received assurance from the Group Managing Director, Executive Directors and General Manager - Finance that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group.

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

WILLOWGLEN

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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 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the research, development and supply of computer-based control systems. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	18,660	7,163
Profit attributable to:		
Owners of the Company	18,717	7,163
Non-controlling interests	(57)	–
	18,660	7,163

DIVIDENDS

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

RM'000

First and final single-tier dividend of 2 sen per ordinary share
in respect of the financial year ended 31 December 2016,
approved by shareholders at the Annual General Meeting on
26 April 2017 and paid on 31 May 2017

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 2018.

Directors' Report (cont'd)

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.



Directors' Report (cont'd)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

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

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

As at 31 December 2017, 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 16 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' Report (cont'd)

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

(Resigned on 31 May 2017)

Simon Wong Chu Keong *

Wang Shi Tsang

Wong Ah Chiew *

Tan Jun *

Teh Chee Hoe

(Appointed on 5 February 2018)

* Directors of the Company and certain subsidiaries

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

Otto Toto Sugiri

Edwin Prawiro Pranoto Djojoesilo

Vishnu Nair A/L Jeyarajan

DIRECTORS' INTERESTS

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

	At 1 January 2017	Number of ordinary shares			At 31 December 2017
		Bought	Sold		
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	55,770,344	—		132,336,907
Simon Wong Chu Keong ⁽²⁾	75,130,263	55,770,344	—		130,900,607
The Holding Company					
New Advent Sdn Bhd					
Direct interest					
Wong Ah Chiew	4,718	—	—		4,718
Simon Wong Chu Keong	1,318	—	—		1,318



Directors' Report (cont'd)

DIRECTORS' INTERESTS (CONT'D)

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

INDEMNITY TO DIRECTORS AND OFFICERS

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

SUBSIDIARIES

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

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

HOLDING COMPANY

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



Directors' Report (cont'd)

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 34 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 35 to the financial statements.

AUDITORS' REMUNERATION

Details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY TO AUDITORS

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

AUDITORS

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

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

.....
WONG AH CHIEW

Director

.....
AU CHUN CHOONG

Director

Kuala Lumpur

Date: 3 April 2018



STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	15,639	11,549	2,647	2,700
Investment in subsidiaries	6	–	–	33,869	33,167
Investment in associates	7	14,018	13,699	150	150
Investment securities	8	7,007	5,516	–	–
Other receivables	9	1,927	–	–	–
Total non-current assets		38,591	30,764	36,666	36,017
Current assets					
Inventories	10	5,314	1,248	–	–
Amount due from contract customers	11	58,089	47,236	–	–
Trade and other receivables	9	46,177	36,900	126	130
Amount due from subsidiaries	12	–	–	17,878	15,935
Tax recoverable		484	139	87	87
Cash and cash equivalents	13	30,737	41,027	3,191	3,538
Total current assets		140,801	126,550	21,282	19,690
TOTAL ASSETS		179,392	157,314	57,948	55,707
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	29,240	24,800	29,240	24,800
Share premium	15	–	4,440	–	4,440
Treasury shares	16	(1,714)	(1,714)	(1,714)	(1,714)
Reserves	17	120,900	109,081	30,110	27,814
Total equity attributable to owners of the Company		148,426	136,607	57,636	55,340
Non-controlling interests		387	(192)	–	–
Total equity		148,813	136,415	57,636	55,340

Statements of Financial Position

As at 31 December 2017

(cont'd)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities					
Employee benefits	18	41	60	–	–
Provisions	19	760	93	–	–
Deferred tax liabilities	20	115	118	–	–
Total non-current liabilities		916	271	–	–
Current liabilities					
Amount due to contract customers	11	6,665	3,639	–	31
Provisions	19	442	577	–	–
Trade and other payables	21	18,694	12,871	312	336
Tax payable		3,862	3,541	–	–
Total current liabilities		29,663	20,628	312	367
Total liabilities		30,579	20,899	312	367
TOTAL EQUITY AND LIABILITIES		179,392	157,314	57,948	55,707

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



STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Continuing operations					
Revenue	22	155,385	132,000	2,036	1,677
Cost of sales		(104,098)	(86,326)	(590)	(185)
Gross profit		51,287	45,674	1,446	1,492
Other income		1,144	1,569	8,172	13,925
Administrative expenses		(30,125)	(25,637)	(2,455)	(5,555)
Operating profit		22,306	21,606	7,163	9,862
Finance costs		—	—	—	—
Share of results of associates, net of tax		319	253	—	—
Profit before tax	23	22,625	21,859	7,163	9,862
Income tax expense	25	(3,965)	(3,910)	—	7
Profit for the financial year		18,660	17,949	7,163	9,869
Other comprehensive income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		(2,150)	1,567	—	—
Fair value changes on available-for-sale financial assets		55	61	—	—
Other comprehensive income for the financial year		(2,095)	1,628	—	—
Total comprehensive income for the financial year		16,565	19,577	7,163	9,869

Statements of Comprehensive Income

For the financial year ended 31 December 2017

(cont'd)

	Note	Group 2017 RM'000	2016 RM'000	Company 2017 RM'000	2016 RM'000
Profit attributable to:					
Owners of the Company		18,717	18,279	7,163	9,869
Non-controlling interests		(57)	(330)	–	–
		18,660	17,949	7,163	9,869
Total comprehensive income attributable to:					
Owners of the Company		16,686	19,907	7,163	9,869
Non-controlling interests		(121)	(330)	–	–
		16,565	19,577	7,163	9,869
Earnings per ordinary share attributable to owners of the Company (sen)					
- basic	26	7.69	7.51		
- diluted	26	7.69	7.51		

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Attributable to Owners of the Company											
Non-Distributable						Distributable					
Foreign											
		Share		Merger		Currency		Fair		Non-	
		Treasury		Premium		Deficit		Translation		Controlling	
		Shares		RM'000		RM'000		Reserve		Interests	
		RM'000		RM'000		RM'000		RM'000		RM'000	

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2017
(cont'd)

Group	Note	Attributable to Owners of the Company									
		Non-Distributable					Distributable				
		Share Capital	Treasury Shares	Share Premium	Merger Deficit	Currency Translation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	16	-	(20)	-	-	-	-	-	(20)	-	(20)
Dividends paid	27	-	-	-	-	-	-	(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



STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Company	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	<i>Distributable</i> Retained Earnings RM'000	Total RM'000
At 1 January 2016		24,800	(1,694)	4,440	22,812	50,358
Total comprehensive income for the financial year		–	–	–	9,869	9,869
Transactions with owners:						
Repurchase of treasury shares	16	–	(20)	–	–	(20)
Dividends paid	27	–	–	–	(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
Total comprehensive income for the financial year		–	–	–	7,163	7,163
Transactions with owners:						
Dividends paid	27	–	–	–	(4,867)	(4,867)
Total transactions with owners		–	–	–	(4,867)	(4,867)
Transition to no-par value regime		4,440	–	(4,440)	–	–
At 31 December 2017		29,240	(1,714)	–	30,110	57,636

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit before tax	22,625	21,859	7,163	9,862
Adjustments for:				
Depreciation of property, plant and equipment	1,796	1,597	179	166
Property, plant and equipment written off	126	52	2	—
Disposal of property, plant and equipment	2	—	—	—
Dividend income	—	—	(7,620)	(12,622)
Finance income	(679)	(631)	(396)	(807)
Impairment loss on:				
- investment in subsidiaries	—	—	—	2,077
- amount due from a subsidiary	—	—	—	551
- trade receivables	—	255	—	—
Reversal of inventories written down	(54)	—	—	—
Inventories written down	—	76	—	—
Bad debts written off	296	—	—	—
Unrealised gain on foreign exchange	78	(495)	—	(329)
Share of results of associates	(319)	(253)	—	—
Operating profit/(loss) before changes in working capital	23,871	22,460	(672)	(1,102)
Changes in working capital:				
Net changes in employee benefits and provisions	513	29	—	—
Net changes in inventories	(4,012)	57	—	—
Net changes in contract customers	(7,827)	(10,204)	(31)	31
Net changes in receivables	(11,500)	(7,373)	4	(36)
Net changes in payables	5,823	1,668	(24)	(82)
Net changes in inter-company balances	—	—	(1,943)	(9,376)
Net cash from/(used in) operations carried forward	6,868	6,637	(2,666)	(10,565)



Statements of Cash Flows

For the financial year ended 31 December 2017
(cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net cash from/(used in) operations brought forward	6,868	6,637	(2,666)	(10,565)
Interest received	679	631	396	807
Income tax paid	(4,056)	(4,327)	(43)	(40)
Income tax refunded	95	521	43	51
Net cash from/(used in) operating activities	3,586	3,462	(2,270)	(9,747)
Cash flows from investing activities				
Purchase of property, plant and equipment	(6,134)	(957)	(128)	(214)
Purchase of investment securities	(2,401)	(2,250)	—	—
Proceed from disposal of investment securities	792	—	—	—
Acquisition of an associate	—	(150)	—	(150)
Increase in share capital in subsidiary	—	—	(702)	—
Dividends received	—	—	7,620	12,622
Changes in pledged deposits	528	(23)	(17)	(16)
Net cash (used in)/from investing activities	(7,215)	(3,380)	6,773	12,242
Cash flows from financing activities				
Repurchase of treasury shares	—	(20)	—	(20)
Dividends paid	(4,867)	(4,867)	(4,867)	(4,867)
Capital contribution from non-controlling interest	700	—	—	—
Net cash used in financing activities	(4,167)	(4,887)	(4,867)	(4,887)
Net decrease in cash and cash equivalents	(7,796)	(4,805)	(364)	(2,392)

Statements of Cash Flows

For the financial year ended 31 December 2017

(cont'd)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net decrease in cash and cash equivalents		(7,796)	(4,805)	(364)	(2,392)
Effect of exchange rate changes		(1,966)	1,923	–	–
Cash and cash equivalents at the beginning of the financial year		39,034	41,916	2,932	5,324
Cash and cash equivalents at the end of the financial year		29,272	39,034	2,568	2,932
Analysis of cash and cash equivalents:					
Fixed deposits placed with licensed banks		13,419	15,987	623	606
Short term investments		2,092	2,035	2,091	2,035
Cash and bank balances		15,226	23,005	477	897
Less: Pledged deposits	13	30,737 (1,465)	41,027 (1,993)	3,191 (623)	3,538 (606)
		29,272	39,034	2,568	2,932

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



NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The Company is principally engaged in the research, development and supply of computer-based control systems. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 3 April 2018.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Adoption of 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 12	Disclosure of Interest in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

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.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2018
MFRS 2	Share-Based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

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.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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.



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognized over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

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.

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 3 Business Combinations and MFRS 11 Joint Arrangements

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

Amendments to MFRS 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.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

Amendments to MFRS 9 Financial Instruments

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

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

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

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

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

Amendments to MFRS 112 Income Taxes

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

Amendments to MFRS 119 Employee Benefits

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

Amendments to MFRS 123 Borrowing Costs

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



Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

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.

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

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.

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.

IC Int 23 Uncertainty over Income Tax Treatments

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

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

- 2.3.2 The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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 degree 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.



Notes to the Financial Statements (cont'd)

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

3.1 Basis of Consolidation (Cont'd)

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

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

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

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

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.

Notes to the Financial Statements (cont'd)

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

3.1 Basis of Consolidation (Cont'd)

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

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.

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.



Notes to the Financial Statements (cont'd)

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

3.1 Basis of Consolidation (Cont'd)

(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.

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

Notes to the Financial Statements (cont'd)

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

3.1 Basis of Consolidation (Cont'd)

(d) Transactions eliminated on consolidation

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

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

3.2 Separate Financial Statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b).

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

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 transaction.

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

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



Notes to the Financial Statements (cont'd)

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

3.3 Foreign Currency Transactions and Operations (Cont'd)

(a) Translation of foreign currency transactions (Cont'd)

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 (cont'd)

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

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.



Notes to the Financial Statements (cont'd)

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

3.4 Financial Instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

(i) Financial assets (Cont'd)

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.

Unquoted equity instruments carried at cost

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

Notes to the Financial Statements (cont'd)

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

3.4 Financial Instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

(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.

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.



Notes to the Financial Statements (cont'd)

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

3.4 Financial Instruments (Cont'd)

(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.

(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.

Notes to the Financial Statements (cont'd)

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

3.5 Property, Plant and Equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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.



Notes to the Financial Statements (cont'd)

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

3.5 Property, Plant and Equipment (Cont'd)

(d) Derecognition

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

3.6 Leases

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

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

(a) Lessee accounting

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

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

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

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.

Notes to the Financial Statements (cont'd)

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

3.6 Leases (Cont'd)

(b) Lessor accounting

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

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

3.7 Goodwill

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

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

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.



Notes to the Financial Statements (cont'd)

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

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.

3.10 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.



Notes to the Financial Statements (cont'd)

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

3.11 Impairment of Assets (Cont'd)

(a) Impairment and uncollectibility of financial assets (Cont'd)

Loans and receivables and held-to-maturity investments

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

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

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

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

Available-for-sale financial assets

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

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.



Notes to the Financial Statements (cont'd)

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

3.11 Impairment of Assets (Cont'd)

(a) Impairment and uncollectibility of financial assets (Cont'd)

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

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

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

Unquoted equity instruments carried at cost

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

(b) Impairment of non-financial assets

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

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

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Notes to the Financial Statements (cont'd)

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

3.11 Impairment of Assets (Cont'd)

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

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

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 Share Capital

(a) Ordinary shares

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

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) Treasury shares

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

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



Notes to the Financial Statements (cont'd)

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

3.13 Employee Benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

(c) Defined benefit plans

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

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

(d) Employee leave entitlements

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

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.

Notes to the Financial Statements (cont'd)

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

3.15 Revenue and Other Income

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

(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

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

(d) Dividend income

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

(e) Rental income

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

(f) Interest income

Interest income is recognised using the effective interest method.

3.16 Government Grants

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

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



Notes to the Financial Statements (cont'd)

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

3.17 Borrowing Costs

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

3.18 Income Tax

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

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

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.

Notes to the Financial Statements (cont'd)

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

3.18 Income Tax (Cont'd)

(b) Deferred tax (Cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

3.19 Earnings per Share

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

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

3.20 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Managing Director, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.21 Contingencies

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

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

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



Notes to the Financial Statements (cont'd)

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

3.22 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

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:

Construction Contracts

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

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

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

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



Notes to the Financial Statements (cont'd)

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

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 charge 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



Notes to the Financial Statements (cont'd)

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

Company	Buildings RM'000	Furniture and Fittings RM'000	Office Equipment RM'000	Computers RM'000	Renovation RM'000	Total RM'000
Cost						
At 1 January 2017	2,397	61	117	1,749	128	4,452
Additions	–	–	–	128	–	128
Written off	–	–	–	(18)	–	(18)
At 31 December 2017	2,397	61	117	1,859	128	4,562
Accumulated depreciation						
At 1 January 2017	104	57	56	1,439	96	1,752
Depreciation charge for the financial year	48	1	8	113	9	179
Written off	–	–	–	(16)	–	(16)
At 31 December 2017	152	58	64	1,536	105	1,915
Carrying Amount At 31 December 2017	2,245	3	53	323	23	2,647
Cost						
At 1 January 2016	2,397	61	122	1,566	128	4,274
Additions	–	–	1	213	–	214
Disposals	–	–	(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 charge for the financial year	48	1	8	100	9	166
Disposals	–	–	(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



Notes to the Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
At cost		
Unquoted shares	35,946	35,244
Less: Impairment loss	(2,077)	(2,077)
	33,869	33,167

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Group's Effective Equity Interest		Principal Activities
		2017	2016	
		%	%	
Willowglen (Malaysia) Sdn. Bhd.	Malaysia	100	100	Sales, implementation and maintenance of computer-based control systems
Willowglen Technology Sdn. Bhd.	Malaysia	100	100	Sales, implementation and maintenance of integrated monitoring systems
Willowglen Services Pte. Ltd.*	Singapore	100	100	Computer system integration activities and installation of building automation systems for remote monitoring
Sentinel Systems Sdn. Bhd.	Malaysia	70	70	Sales, implementation and maintenance of control room and CCTV solutions
PT Willowglen Indonesia *	Indonesia	50.08	50.08	Trading, hardware and software consulting services
WG Tech Sdn. Bhd.	Malaysia	100	100	Dormant
Willowglen Limited*	British Virgin Islands	100	100	Investment holding

Notes to the Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Country of Incorporation	Group's Effective Equity Interest		Principal Activities
		2017 %	2016 %	
Subsidiaries of Willowglen Services Pte. Ltd.				
Willowglen Asia Pte Limited +	Hong Kong	100	100	Investment holding
WLG Solutions Pte. Ltd. +	Singapore	100	100	Investment holding
Subsidiary of WLG Solutions Pte. Ltd.				
Willowglen Vietnam Co., Ltd. +	Vietnam	100	100	Design, supply, consultancy, installation, engineering services and maintenance of computer hardware and software

+ Audited by auditors other than Baker Tilly Monteiro Heng.

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

6.1 Increase in paid-up share capital in PT Willowglen Indonesia

On 8 June 2017, the Company had subscribed for additional 2,103 ordinary shares for a total cash consideration of IDR2,103,000,000 (equivalent to RM702,400).



Notes to the Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.2 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	
		2017 %	2016 %
PT Willowglen Indonesia	Indonesia	49.92	49.92
Sentinel Systems Sdn. Bhd.	Malaysia	30	30

Carrying amount of material non-controlling interests:

	2017 RM'000	2016 RM'000
PT Willowglen Indonesia	557	(43)
Sentinel Systems Sdn. Bhd.	(170)	(149)
	387	(192)

Profit or loss allocated to material non-controlling interests:

	2017 RM'000	2016 RM'000
PT Willowglen Indonesia	(35)	(287)
Sentinel Systems Sdn. Bhd.	(22)	(43)
	(57)	(330)

Notes to the Financial Statements (cont'd)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 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.	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Summarised statements of financial position				
As at 31 December				
Non-current assets	11	20	20	53
Current assets	1,439	331	63	3
Non-current liabilities	(41)	(60)	—	—
Current liabilities	(293)	(377)	(651)	(552)
Net assets/(liabilities)	1,116	(86)	(568)	(496)
Summarised statements of comprehensive income				
Financial year ended 31 December				
Revenue	887	526	55	—
Total comprehensive loss for the financial year	(71)	(574)	(72)	(142)
Summarised cash flow information				
Financial year ended 31 December				
Cash flows used in operating activities	(612)	(357)	(2)	(20)
Cash flows used in investing activities	(3)	—	—	—
Cash flows from financing activities	1,221	167	—	—
Net increase/(decrease) in cash and cash equivalents	606	(190)	(2)	(20)
Dividends paid to non-controlling interests	—	—	—	—



Notes to the Financial Statements (cont'd)

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Unquoted shares	13,204	13,204	150	150
Share of post-acquisition reserves	814	495	–	–
	14,018	13,699	150	150

Details of the associates are as follows:

Name of Company	Country of Incorporation	Group's Effective Equity Interest		Group's Effective Voting Interest		Principal Activities
		2017 %	2016 %	2017 %	2016 %	
Secura Malaysia Sdn. Bhd.	Malaysia	50	50	50	50	Providing cyber security, homeland security, security consultancy, security systems integration and other security products and services
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.

Although the Group hold more than half of the effective equity interest in Willowglen Systems Inc. ("WSI") and less than half of the voting rights in the entity, the directors have determined that the Group do not control the entity as the Group do not have substantive rights over the investee and on the basis that the remaining voting rights were not widely dispersed. Consequently, the investment has been accounted for as investment in associate.

Notes to the Financial Statements (cont'd)

7. INVESTMENT IN ASSOCIATES (CONT'D)

7.1 Summarised financial information of material associates

The following table illustrates the summarised financial information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	
Group			
31.12.2017			
Assets and liabilities:			
Non-current assets	31,197	–	
Current assets	17,565	300	
Non-current liabilities	(11,756)	–	
Current liabilities	(11,974)	(1)	
Net assets	25,032	299	
Results:			
Profit/(Loss) for the financial year	533	(3)	
Total comprehensive income	533	(3)	
Included in the total comprehensive income is:			
Revenue	17,284	–	
	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	
		Total RM'000	
Reconciliation of net assets to carrying amount:			
Cost of investment	11,695	150	11,845
Bargain purchase gain on acquisition of an associate	1,359	–	1,359
Carrying amount at fair value	13,054	150	13,204
Share of post-acquisition profits/(loss)	816	(2)	814
Carrying amount in the statements of financial position	13,870	148	14,018
Group's share of results:			
Group's share of profit or loss	320	(1)	319



Notes to the Financial Statements (cont'd)

7. INVESTMENT IN ASSOCIATES (CONT'D)

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

Group 31.12.2016	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	
Assets and liabilities:			
Non-current assets	15,557	-	
Current assets	15,722	300	
Non-current liabilities	(177)	-	
Current liabilities	(6,215)	(1)	
Net assets	24,887	299	
Results:			
Profit/(Loss) for the financial year	423	(1)	
Total comprehensive income	423	(1)	
Included in the total comprehensive income is:			
Revenue	19,037	-	
	Willowglen Systems Inc. RM'000	Secura Malaysia Sdn. Bhd. RM'000	Total RM'000
Reconciliation of net assets to carrying amount:			
Cost of investment	11,695	150	11,845
Bargain purchase gain on acquisition of an associate	1,359	-	1,359
Carrying amount at fair value	13,054	150	13,204
Share of post-acquisition profits/(loss)	496	(1)	495
Carrying amount in the statements of financial position	13,550	149	13,699
Group's share of results:			
Group's share of profit or loss	254	(1)	253



Notes to the Financial Statements (cont'd)

8. INVESTMENT SECURITIES

	Group	
	2017 RM'000	2016 RM'000
Available-for-sale financial assets		
- debt securities		
At 1 January	5,516	3,026
Acquisition during the financial year	2,401	2,250
Disposal during the financial year	(792)	–
Exchange differences	(173)	179
Fair value changes	55	61
At 31 December	7,007	5,516

9. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current:					
Non-trade					
Other receivable	(a)	1,927	–	–	–
Current:					
Trade					
Trade receivables		38,528	30,572	–	–
Retention sum		4,081	4,164	–	–
		42,609	34,736	–	–
Less: Impairment loss		–	(296)	–	–
	(b)	42,609	34,440	–	–
Non-trade					
Other receivables	(c)	2,010	249	115	116
Deposits		566	629	5	6
Prepayments		988	1,352	2	1
GST refundable		4	230	4	7
		3,568	2,460	126	130
Total trade and other receivables (current)		46,177	36,900	126	130
Total trade and other receivables (non-current and current)		48,104	36,900	126	130



Notes to the Financial Statements (cont'd)

9. TRADE AND OTHER RECEIVABLES (CONT'D)

- (a) Included in the other receivable is the non-trade amount due from an associate of the Group is unsecured, subject to interest at 5% per annum and repayable over 181 months from 2017 to 2032.
- (b) Trade receivables are non-interest bearing and the normal credit terms offered by the Group ranging from 30 days to 60 days (2016: 30 days to 60 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.
- (c) Include in other receivables is an amount of RM1,663,508 (2016: Nil) due from an associate of the Group, is unsecured, subject to interest at 10% per annum, repayable over 12 months from 2017 to 2018.

Ageing analysis of trade receivables

The Group maintain an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's and of the Company's trade receivables are as follows:

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	21,716	22,542
1 to 30 days past due not impaired	9,543	7,407
31 to 60 days past due not impaired	2,084	1,526
61 to 90 days past due not impaired	1,115	1,197
More than 90 day past due not impaired	8,151	1,768
	20,893	11,898
Impaired individually	–	296
	42,609	34,736

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.

Notes to the Financial Statements (cont'd)

9. TRADE AND OTHER RECEIVABLES (CONT'D)

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	
	2017	2016
	RM'000	RM'000
At 1 January	296	41
Charge for the financial year	–	255
Written off	(296)	–
At 31 December	–	296

10. INVENTORIES

	Group	
	2017	2016
	RM'000	RM'000
At Cost		
Consumables	3,483	1,248
Good-in-transit	1,831	–
	5,314	1,248

- (a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM41,114,522 (2016: RM29,470,444).
- (b) During the financial year, the write down of inventories to their net realisable values for the Group amounted to RM Nil (2016: RM75,549).
- (c) During the financial year, the Group reversed the previous inventories written down value of RM54,552 (2016: RM Nil). The amount of reversal was included in administrative expenses.



Notes to the Financial Statements (cont'd)

11. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Aggregate costs incurred to date	169,155	129,514	–	49
Attributable profits	66,591	49,655	–	–
	235,746	179,169	–	49
Less: Progress billings	(184,322)	(135,572)	–	(80)
	51,424	43,597	–	(31)
Amount due from contract customers	58,089	47,236	–	–
Amount due to contract customers	(6,665)	(3,639)	–	(31)
	51,424	43,597	–	(31)
Contract costs recognised as contract expense during the financial year	86,226	72,554	–	–
Contract revenue recognised as contract revenue during the financial year	122,857	103,338	–	–

Notes to the Financial Statements (cont'd)

12. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
Amount due from subsidiaries		
Trade	601	50
Non-trade	17,828	16,436
	18,429	16,486
Less: Impairment loss	(551)	(551)
	17,878	15,935

The normal trade credit granted to the subsidiaries is 30 days (2016: 30 days).

The amount due from subsidiaries are unsecured, repayable on demand and non-interest bearing, except for amount due from a subsidiary which is subject to interest at the rate ranging from 4.5% to 4.6% (2016: 4.5% to 4.6%) per annum on a monthly basis.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed deposits placed with licensed banks	13,419	15,987	623	606
Short term investments	2,092	2,035	2,091	2,035
Cash and bank balances	15,226	23,005	477	897
Cash and cash equivalents as reported in statements of financial position	30,737	41,027	3,191	3,538
Less: Pledged deposits	(1,465)	(1,993)	(623)	(606)
Cash and cash equivalents as reported in statements of cash flows	29,272	39,034	2,568	2,932



Notes to the Financial Statements (cont'd)

13. CASH AND CASH EQUIVALENTS (CONT'D)

Included in the fixed deposits placed with licensed banks of the Group and the Company are an amount of RM1,465,000 and RM623,000 (2016: RM1,993,000 and RM606,000) respectively, which have been pledged to licensed bank as securities for banking facilities granted to the Group and the Company.

Fixed deposits and short term investments are made for varying periods of between one day to twelve months depending on the immediate cash requirements of the Group and the Company. The weighted average effective interest rates as at 31 December 2017 for the Group and the Company were 1.8% and 3.4% (2016: 1.6% and 3.5%) respectively.

14. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
Authorised:				
At 31 December	1,000,000	–	1,000,000	100,000
Issued and fully paid up:				
At 1 January	248,000	24,800	248,000	24,800
Transition to no-par value regime:				
- share premium	–	4,440	–	–
At 31 December	248,000	29,240	248,000	24,800

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

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

As at 31 December 2017, of the total 248,000,000 (2016: 248,000,000) issued and fully paid ordinary shares of RM0.10 each, 4,673,400 (2016: 4,673,400) ordinary shares of RM0.10 each are currently held as treasury shares by the Company as disclosed in Note 16 to the financial statements. The number of outstanding shares on issue after the share repurchased is 243,326,600 (2016: 243,326,600).

Notes to the Financial Statements (cont'd)

15. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM4,440,000 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 14.

16. TREASURY SHARES

	Group and Company			
	2017		2016	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
At 1 January	4,673	1,714	4,643	1,694
Shares repurchased during the financial year	—	—	30	20
At 31 December	4,673	1,714	4,673	1,714

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2017, the Company's treasury shares are held at a carrying amount of RM 1,714,133 (2016: RM1,714,133).

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

	Number of Shares Repurchased Unit	Price per share			Total Consideration RM
		Lowest RM	Highest RM	Average RM	
31.12.2016					
April 2016	30,000	0.660	0.660	0.660	19,945

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



Notes to the Financial Statements (cont'd)

17. RESERVES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Merger deficit	(7,585)	(7,585)	—	—
Foreign currency translation reserve	14,649	16,735	—	—
Fair value reserve	84	29	—	—
Retained earnings	113,752	99,902	30,110	27,814
	120,900	109,081	30,110	27,814

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.

18. 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	
	2017 RM'000	2016 RM'000
Present value of unfunded obligation	41	60

Notes to the Financial Statements (cont'd)

18. EMPLOYEE BENEFITS (CONT'D)

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

	2017 RM'000	Group 2016 RM'000
At 1 January	60	72
Current service costs recognised in profit or loss	(13)	(17)
Exchange differences	(6)	5
At 31 December	41	60

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

	2017 Group	2016
Discount rate	7.5%	8%
Future salary growth	0%	10%
Pension retirement age	55	55

19. PROVISIONS

Group	Maintenance Warranties RM'000	Reinstatement Costs RM'000	Provision for Unutilised Leave RM'000	Total RM'000
At 1 January 2017	577	93	–	670
Recognised in profit or loss	242	778	254	1,274
Utilised during the financial year	(468)	(93)	–	(561)
Reversed during the financial year	(157)	–	–	(157)
Exchange differences	–	(18)	(6)	(24)
At 31 December 2017	194	760	248	1,202
31.12.2017				
Non-current	–	760	–	760
Current	194	–	248	442
	194	760	248	1,202
31.12.2016				
Non-current	–	93	–	93
Current	577	–	–	577
	577	93	–	670



Notes to the Financial Statements (cont'd)

19. PROVISIONS (CONT'D)

Maintenance warranties

The provision for maintenance warranties represent the present value of the directors' best estimates of future economic obligation that will be required under the Group's obligation for warranties on its products and services. The provision is recognised based on estimation made from historical warranty data.

Reinstatement costs

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

Provision for unutilised leave

The provision for unutilised leave represents the leave entitlement by employees not utilised at the end of the financial year.

20. DEFERRED TAX LIABILITIES

	Group	
	2017	2016
	RM'000	RM'000
Deferred tax liabilities	(115)	(118)

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	
	2017	2016
	RM'000	RM'000
Deferred tax liabilities:		
At 1 January	(118)	84
Recognised in profit or loss (Note 25)		
- tax losses	-	(202)
- other items	3	-
	3	(202)
At 31 December	(115)	(118)

Notes to the Financial Statements (cont'd)

20. DEFERRED TAX LIABILITIES (CONT'D)

Unrecognised deferred tax assets

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	11,742	9,031	10,210	8,850
Deductible/(taxable) temporary difference	500	475	(174)	(5)
	12,242	9,506	10,036	8,845
Potential deferred tax assets not recognised at 24%	2,938	2,281	2,409	2,123

21. TRADE AND OTHER PAYABLES

		Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables	(a)	13,924	9,290	–	5
Non-trade					
Other payables		462	471	188	45
GST payables		693	529	–	3
Accruals		3,615	2,581	124	283
	(b)	4,770	3,581	312	331
Total trade and other payables		18,694	12,871	312	336

(a) Trade payables are non-interest bearing and normal credit terms granted to the Group and the Company range from 30 days to 60 days (2016: 30 days to 60 days).

(b) Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (2016: 30 days to 60 days).

For explanation on the Group's and the Company's liquidity risk management processes, refer to Note 32.2(b).



Notes to the Financial Statements (cont'd)

22. REVENUE

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract revenue	122,857	103,338	–	–
Maintenance contracts	32,528	28,662	–	–
Miscellaneous income	–	–	2,036	1,677
	155,385	132,000	2,036	1,677

23. PROFIT BEFORE TAX

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After charging:				
Auditors' remuneration:				
- Malaysian operations				
- current year	75	80	43	52
- prior year	(6)	17	(6)	11
- Overseas operations				
- current year	95	71	–	–
Non statutory audit fees:				
- Malaysian operations	9	9	9	9
Directors' remuneration (Note 24)	5,214	4,572	115	94
Staff costs:				
- salaries, allowances and bonuses	37,074	31,288	1,583	2,051
- defined contribution plans	4,993	4,174	157	217
- socso	100	92	11	13
Impairment loss on:				
- investment in subsidiaries	–	–	–	2,077
- amount owing by a subsidiary	–	–	–	551
- trade receivables	–	255	–	–
Loss on foreign exchange:				
- realised	210	65	91	3
- unrealised	97	18	97	–
Rental of offices	1,455	1,372	4	4

Notes to the Financial Statements (cont'd)

23. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Dividend income from a subsidiary	–	–	7,620	12,622
Income from:				
- loan and receivables	392	460	396	807
- available-for-sale financial assets	287	171	–	–
Gain on disposal of investments	35	–	–	–
Gain on foreign exchange:				
- realised	70	–	–	–
- unrealised	19	513	–	329
Rental income	–	14	156	170
Government grants	342	602	–	–

Included in the interest income from loan and receivables of the Company is interest of RM352,947 (2016: RM739,814) from amount due from subsidiaries.

24. DIRECTORS' REMUNERATION

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Executive directors				
Fees	60	34	54	34
Salaries, bonus and other emoluments	4,481	3,934	–	–
Defined contribution plan	605	544	–	–
	5,146	4,512	54	34
Non-executive directors				
Fees	68	60	61	60
	5,214	4,572	115	94



Notes to the Financial Statements (cont'd)

25. INCOME TAX EXPENSES

The major components of income tax expense for the financial years ended 31 December 2017 and 2016:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax				
- current year	(4,007)	(3,902)	–	–
- prior year	42	194	–	7
	(3,965)	(3,708)	–	7
Deferred tax (Note 20)				
Origination and reversal of temporary differences	–	(202)	–	–
	–	(202)	–	–
Total income tax expense	(3,965)	(3,910)	–	7

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiary of the Group was 17% for the year of assessment 2017 (2016: 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	22,625	21,859	7,163	9,862
Tax at Malaysia statutory income tax rate of 24% (2016: 24%)	(5,430)	(5,246)	(1,719)	(2,367)
Effect of tax rate in foreign jurisdiction	1,766	1,447	–	–
Share of results of associates	76	61	–	–

Notes to the Financial Statements (cont'd)

25. INCOME TAX EXPENSES (CONT'D)

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Adjustments:				
- non-deductible expenses	(440)	(441)	(58)	(667)
- non-taxable income	333	40	2,063	3,029
- deferred tax assets not recognised on tax losses and temporary differences	(657)	(323)	(286)	5
- tax exemption	352	316	—	—
- other items	(7)	42	—	—
- adjustment in respect of current income tax of prior years	42	194	—	7
Income tax expense	(3,965)	(3,910)	—	7

26. 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:

	2017	2016
	RM'000	RM'000
Profit attributable to owners of the Company	18,717	18,279
Weighted average number of ordinary shares for basic earnings per share	243,327	243,336
Basic earnings per ordinary share (sen)	7.69	7.51

The basic and diluted earnings per ordinary share are equal as the Group does not have dilutive potential ordinary shares as at the reporting date.



Notes to the Financial Statements (cont'd)

27. DIVIDENDS

	Group and Company	
	2017	2016
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
First and final single-tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2016, paid on 31 May 2017	4,867	–
First and final tax exempt dividend of 20% per ordinary share for the financial year ended 31 December 2015, 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 financial year ended 31 December 2017 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 2018.

28. OPERATING LEASE COMMITMENTS

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

	Group	
	2017	2016
	RM'000	RM'000
Not later than one year	1,357	845
Later than one year but not later than five years	5,290	–
	6,647	845

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

Notes to the Financial Statements (cont'd)

29. CAPITAL COMMITMENTS

The Group have made commitments for the following capital expenditures:

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment	655	–

30. RELATED PARTIES

30.1 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.

30.2 Significant Related Party Transactions

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

	Company	
	2017 RM'000	2016 RM'000
Subsidiaries		
Sale of goods	386	534
Purchase of goods	–	6
Provision of engineering services	513	185
Rental income	156	163
Technical advisory fees charged	1,137	958



Notes to the Financial Statements (cont'd)

30. RELATED PARTIES (CONT'D)

30.3 Key Management Personnel Remuneration

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 24)	5,214	4,572	115	94
Other Key Management Personnel:				
Salaries, bonuses and allowances	4,583	3,720	–	430
Contribution to defined contribution plans	449	349	–	52
	5,032	4,069	–	482
	10,246	8,641	115	576

31. 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.

Notes to the Financial Statements (cont'd)

31. SEGMENT INFORMATION (CONT'D)

Inter-segment pricing is determined on negotiated basis.

Segment profit

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

Segment assets

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

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

Segment liabilities

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

Geographical Information

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

Major Customers

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



Notes to the Financial Statements (cont'd)

31. SEGMENT INFORMATION (CONT'D)

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Europe RM'000	Others RM'000	Adjustments and Elimination RM'000	Notes	Total RM'000
2017								
Revenue:								
External customers	39,668	114,830	887	–	–	–		155,385
Inter-segment	1,545	2,574	–	–	–	(4,119)	A	–
Total revenue	41,213	117,404	887	–	–	(4,119)		155,385
Results:								
Interest income	443	268	34	–	287	(353)		679
Interest expense	353	–	–	–	–	(353)		–
Depreciation	998	789	9	–	–	–		1,796
Share of results of associates	–	–	–	–	–	319		319
Segment profit/ (loss)	4,574	25,233	(71)	–	191	(7,302)	B	22,625
Income tax expense	–	(4,007)	–	–	–	–		(4,007)
Income tax income	42	–	–	–	–	–		42
Profit/(loss) for the financial year	4,616	21,226	(71)	–	191	(7,302)	B	18,660
Assets:								
Investment in associates	148	–	–	–	13,870	–		14,018
Additions to non-current assets	1,429	4,705	–	–	–	–		6,134
Segment assets	103,041	119,869	1,450	–	7,864	(67,334)	C	164,890
Geographical information:								
Revenue by geographical location of customers	38,574	114,829	887	1,095	–	–		155,385
Non-current assets	44,456	7,392	11	–	7,007	(34,293)		24,573
Major customers	–	23,868	–	–	–	–		23,868

Notes to the Financial Statements (cont'd)

31. SEGMENT INFORMATION (CONT'D)

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Europe RM'000	Others RM'000	Adjustments and Elimination RM'000	Notes	Total RM'000
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 (cont'd)

31. SEGMENT INFORMATION (CONT'D)

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

	2017 RM'000	2016 RM'000
Singapore		
Customer I	23,868	18,238
Customer II	–	13,296
	23,868	31,534

Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS

32.1 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:

- (a) Loans and receivables ("L&R")
- (b) Available-for-sale financial assets ("AFS")
- (c) Other financial liabilities ("FL")

At 31 December 2017	Carrying Amount RM'000	L&R/(FL) RM'000	AFS RM'000
Financial Assets			
Group			
Investment securities	7,007	–	7,007
Amount due from contract customers	58,089	58,089	–
Trade and other receivables*	47,112	47,112	–
Cash and cash equivalents	30,737	30,737	–
	142,945	135,938	7,007
Company			
Trade and other receivables*	120	120	–
Amount due from subsidiaries	17,878	17,878	–
Cash and cash equivalents	3,191	3,191	–
	21,189	21,189	–
Financial Liabilities			
Group			
Trade and other payables^	(18,001)	(18,001)	–
Company			
Trade and other payables^	(312)	(312)	–

* Exclude prepayments and GST refundable

^ Exclude GST payable



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 Categories of Financial Instruments (Cont'd)

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

Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management

The operations of the Group and of the Company are exposed 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.

Exposure to credit risk, credit quality and collateral

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 9. 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.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

Trade receivables (Cont'd)

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:

	2017		Group		2016	
	RM'000	%			RM'000	%
By country:						
Malaysia	15,973	37.5%			15,746	45.7%
Singapore	25,896	60.8%			18,404	53.4%
Indonesia	558	1.3%			68	0.2%
Europe	182	0.4%			222	0.7%
	42,609	100.0%			34,440	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 (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

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% (2016: 4.5% to 4.6%) per annum on a monthly basis. The Company monitors the results of the subsidiaries in determining the recoverability of these inter-company balances.

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 no indication that the loans and advances to a subsidiary is not recoverable. In the previous financial year, the Company has provided for an impairment loss of RM550,866 on amount due by a subsidiary.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis.

Exposure to credit risk

The maximum exposure to credit risk amounts to RM59,716,000 (2016: RM33,623,000) 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.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management (Cont'd)

(b) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables.

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

Maturity analysis

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
On demand or within 1 year				
Trade and other payables	18,694	12,871	312	336
Financial guarantee contracts	—	—	59,716	33,623
Total undiscounted financial liabilities	18,694	12,871	60,028	33,959

(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"), Chinese Renminbi ("RMB"), British Pound ("GBP") and Canadian Dollar ("CAD").

Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

Foreign Currency Risk (Cont'd)

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	2017 Functional currency SGD RM'000	2016 Functional currency SGD RM'000
Financial assets and liabilities not held in functional currencies:		
<u>Cash and cash equivalents</u>		
United States Dollar	1,093	1,470
Chinese Renminbi	715	1,037
British Pound	613	—
	2,421	2,507
<u>Trade and other receivables</u>		
United States Dollar	521	—
Canadian Dollar	3,419	—
	3,940	—
<u>Trade and other payables</u>		
United States Dollar	97	303
British Pound	1,960	—
	2,057	303

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to United States Dollar ("USD"), Chinese Renminbi ("RMB"), British Pound ("GBP") and Canadian Dollar ("CAD").

Notes to the Financial Statements
(cont'd)**32. FINANCIAL INSTRUMENTS (CONT'D)****32.2 Financial Risk Management (Cont'd)****(c) Market Risk (Cont'd)****Foreign Currency Risk (Cont'd)**

The following table demonstrated the sensitivity to a reasonably change possible change in the USD, RMB, GBP and CAD, with all other variables held constant of the Group's total profit for the financial year.

		Group	
		2017	2016
		RM'000	RM'000
	Change in rate	Effect on profit or loss	
USD	+ 10%	115	89
	- 10%	(115)	(89)
RMB	+ 10%	54	79
	- 10%	(54)	(79)
GBP	+ 10%	(102)	—
	- 10%	102	—
CAD	+ 10%	260	—
	- 10%	(260)	—

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 (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

Interest Rate Risk (Cont'd)

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	13,963	15,987	623	606
Floating rate instrument				
Financial assets	5,682	2,035	12,931	8,548

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 RM43,183 and RM98,276, 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.



Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management (Cont'd)

(e) Fair value measurement

The carrying amounts of the financial assets and financial liabilities reported in the financial statements are reasonable approximation of fair values.

The following summarises the methods used in determining the fair values of the financial instruments:

- (i) The financial assets and financial liabilities maturing within the next 12 months are reasonable approximation of fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The carrying amounts of the investment securities is determined directly by reference to its published market bid price as at the end of the financial year.

Fair value hierarchy

The fair values of the assets and liabilities are analysed into level 1 to 3 as follows:

- Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

32.2 Financial Risk Management (Cont'd)

(e) Fair value measurement (Cont'd)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Assets and liabilities for which fair values are disclosed:

	Carrying amount RM'000	Fair value measurement using		
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2017				
Financial assets				
Group				
Other receivables	1,927	–	1,927	–
Investment securities	7,007	7,007	–	–
2016				
Financial assets				
Group				
Investment securities	5,516	5,516	–	–

There were no transfer 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 2017 and 31 December 2016.

33. 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 2017 and 31 December 2016.

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.



Notes to the Financial Statements (cont'd)

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 31 October 2017, New Advent Sdn. Bhd. ("NASB") acquired additional 55,759,944 ordinary shares, which representing 22.92% of equity interest in the Company. Subsequent to the acquisition, the shareholdings of NASB has increased from 30.88% to 53.80% as at the end of the reporting period. Consequently, NASB is regarded as the holding company of the Company.

35. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 19 March 2018, the Company announced to undertake a proposed bonus issue of 248,000,000 new ordinary shares in the Company on the basis of one (1) bonus share for every one (1) existing ordinary share of the Company held on entitlement date that will be determined later.

The Proposed Bonus Issue is subject to the approval of the shareholders at the forthcoming Extraordinary General Meeting of the Company.



STATEMENT BY DIRECTORS

(Pursuant to Section 251(2) of the Companies Act 2016)

We, **WONG AH CHIEW** and **AU CHUN CHOONG**, 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 59 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
WONG AH CHIEW

Director

.....
AU CHUN CHOONG

Director

Kuala Lumpur

Date: 3 April 2018



STATUTORY DECLARATION

(Pursuant to Section 251(1) of the Companies Act 2016)

I, **CHEW NYUK SEONG**, being the officer primarily responsible for the financial management of Willowglen MSC Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 59 to 141 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 3 April 2018.

Before me,

.....
Abdul Shukor Bin Md Noor
Commissioner for Oaths
No. 66 Jalan Tun Perak
52100 Kuala Lumpur



INDEPENDENT AUDITORS' REPORT

To the Members of Willowglen MSC Berhad
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Willowglen MSC Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 141.

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 2017, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company of the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditors' Report

To the Members of Willowglen MSC Berhad
(Incorporated in Malaysia)

(cont'd)

Key Audit Matters (Cont'd)

Group

Accounting for Contracts (Note 4, 11 and 22 to the financial statements)

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contracts. Therefore, the amount of contract revenue, contract costs and its corresponding contract assets and contract liabilities recognised in a year is affected by a variety of uncertainties that depend on the outcome of future events.

Our audit response:

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

- understanding the design and the implementation of controls in recording project costs, preparing project budgets and calculating the stage of completion;
- reviewing directors' estimations by referring to evidence including historical accuracy of the Group's estimates in previous periods, an assessment of the consistency of estimations across projects, and discussing project progress with project managers;
- agreeing the revenue for projects on a sample basis to contracts, variation orders and other correspondences;
- tested a sample of costs incurred to date to relevant documents and that they are recorded in the correct accounting period;
- reviewing the percentage of completion of the projects and checking the computation of the application of the percentage of completion of the projects to the contract revenue and contract costs recognised in the profit or loss and the corresponding contract assets and contract liabilities recognised in the statements of financial position; and
- reviewing the work of component auditors in relation to their work performed on contract accounting in accordance with ISA 600 *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)*.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

To the Members of Willowglen MSC Berhad
(Incorporated in Malaysia)

(cont'd)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.



Independent Auditors' Report

To the Members of Willowglen MSC Berhad
(Incorporated in Malaysia)

(cont'd)

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

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

Kuala Lumpur

Date: 3 April 2018

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 2017 are as follows :-

	Group (RM'000)	Company (RM'000)
Audit Fees	170	43
Non Audit Fees	81	14

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

At the Nineteenth Annual General Meeting of the Company held on 26 April 2017, the Company obtained a mandate from its shareholders for recurrent related party transactions ("RRPTs") of a revenue or trading in nature with related parties.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of RRPTs conducted during the financial year ended 31 December 2017 pursuant to the shareholders' mandate are set out below:-

Willowglen and/or its subsidiaries	Transacting Parties	Nature of Transactions	Aggregate value of Transactions from 1 January 2017 to 31 December 2017 (RM)
Willowglen and its subsidiaries	OSK Holdings Berhad and its subsidiaries ("OSK Group")	Supply of Group's product – SCADA Systems, Information Technology services, security and smart home system to OSK Group	1,340,191



PROPERTIES

As at 31 December 2017

Description of Property	Existing Use	Age of Building (Years)	Land Area	Tenure	Date of Acquisition	Net Book Value / Fair Value As at 31 December 2017 (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	25	246 sq. m.	93-years leasehold expiring on 19.02.2083	01.06.1999	2,466,384
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	25	490 sq. m.	93-years leasehold expiring on 19.02.2083	30.04.2007	2,494,759
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	11	103 sq. m.	Freehold	23.12.2014	2,245,382

SHAREHOLDINGS STATISTICS

As at 15 March 2018

Total Number of Issued Shares	:	248,000,000 (including 4,673,400 treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1-99	19	0.76	490	0.00
100-1,000	564	22.67	429,300	0.18
1,001-10,000	1,274	51.21	6,885,100	2.83
10,001-100,000	528	21.22	16,381,500	6.73
100,001 – 12,166,329 *	101	4.06	60,761,866	24.97
12,166,330 and above **	2	0.08	158,868,344	65.29
Total	2,488	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:-

Substantial Shareholders	Direct Interest	No. of Shares Held		
		%	Indirect Interest	%
New Advent Sdn Bhd	130,900,607	53.80	—	—
Wong Ah Chiew	1,500,000	0.62	132,336,907°	54.39
Simon Wong Chu Keong	—	—	130,900,607□	53.80
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 15 March 2018

(cont'd)

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest	No. of Shares Held		
		%	Indirect Interest	%
Wong Ah Chiew	1,500,000	0.62	132,336,907*	54.39
Simon Wong Chu Keong	—	—	130,900,607#	53.80
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 15 March 2018.

THIRTY LARGEST REGISTERED SHAREHOLDERS AS AT 15 MARCH 2018

No.	Name of Shareholders	No. of Shares	%
1	New Advent Sdn. Bhd.	130,900,607	53.80
2	OSK Technology Ventures Sdn. Bhd.	27,967,737	11.49
3	OSK Venture Equities Sdn. Bhd.	10,300,000	4.23
4	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad		
	Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	6,400,000	2.63
5	Lim Gaik Bway @ Lim Chiew Ah	2,824,900	1.16
6	Malta Corp. Sdn. Bhd.	2,500,000	1.03
7	Lim Sin Khong	2,300,000	0.95
8	Teh Boon Wee	2,000,000	0.82
9	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad		
	Deutsche Trustees Malaysia Berhad for Hong Leong Growth Fund	1,756,800	0.72
10	Khor Chai Moi	1,663,300	0.68
11	Wong Ah Chiew	1,500,000	0.62
12	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad		
	Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund	1,300,000	0.53
13	Kong Lai Chin	1,140,000	0.47
14	Lee Kok Hoong	1,100,000	0.45
15	Ng Sim Tin	1,100,000	0.45
16	Alliancegroup Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Christina Loh Yoke Lin (8111756)	1,028,000	0.42
17	Andrew Lim Cheong Seng	1,000,000	0.41
18	Chan Yan Ping	892,000	0.37
19	RHB Nominees (Tempatan) Sdn. Bhd.		
	OSK Technology Ventures Sdn. Bhd.	872,600	0.36

Shareholdings Statistics

As at 15 March 2018

(cont'd)

No.	Name of Shareholders	No. of Shares	%
20	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Soon Boon	832,700	0.34
21	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Yeow Teng (Margin)	741,000	0.30
22	Yieldforce Sdn. Bhd.	732,500	0.30
23	Tan Kin Lee	686,300	0.28
24	Wong Chu Khee	654,200	0.27
25	Ng Soon Gan	635,000	0.26
26	Lee Heuk Ping	630,000	0.26
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Asia-Pacific Dividend Fund	598,000	0.25
28	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koo Fook Thian (7003232)	580,000	0.24
29	Wong Chong Ngin	500,000	0.21
30	Khor Neng Tiang	489,300	0.20

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 Twentieth 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, 9 May 2018 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 2017		
2.	To re-elect Mr. Wong Ah Chiew as Director		
3.	To re-elect Encik Alfian Bin Tan Sri Mohamed Basir as Director		
4.	To re-elect Mr. Teh Chee Hoe as Director		
5.	To approve the payment of Directors' fees of RM128,333.00 for the financial year ended 31 December 2017		
6.	To approve the payment of Directors' benefits to the Independent Non-Executive Directors up to RM26,000.00 from 10 May 2018 until the next AGM of the Company in year 2019		
7.	To re-appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration		
8.	To retain Mr. Wang Shi Tsang as Independent Non-Executive Director		
9.	To retain Encik Alfian Bin Tan Sri Mohamed Basir as Independent Non-Executive Director		
10.	Authority to Issue Shares pursuant to the Companies Act 2016		
11.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		
12.	Proposed Renewal of Authorisation To Enable Willowglen MSC Berhad To Purchase Its Own Shares Up To 10% Of The Total Number Of Issued Shares Of The Company		

(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 _____, 2018.

* Delete if not applicable

 * Signature / Common Seal of Shareholder

Notes:

- In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 2 May 2018 ("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.
- 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.
- 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.
- The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's Office at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
- The instrument appointing a proxy or proxies shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if such appointer is a corporation, under its Common Seal or the hand of its attorney duly authorised.



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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

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QUESTIONS FROM SHAREHOLDERS

The Annual General Meeting ("AGM") of Willowglen MSC Berhad will be held on Wednesday, 9 May 2018 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, 27 April 2018. 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.		☐



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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

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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