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**WILLOWGLEN MSC BERHAD** (462648-V)

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

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WILLOWGLEN MSC BERHAD 2012 ANNUAL REPORT

2012 ANNUAL REPORT



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## Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur, Malaysia on Wednesday, 29 May 2013 at 10.00 a.m. for the following purposes:-

### As Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. (Please refer Explanatory Note i)
2. To declare a final dividend of 20% tax-exempt and special dividend of 10% tax-exempt for the financial year ended 31 December 2012. (Resolution 1)
3. To re-elect the following Directors who retire under the provisions of the Company's Articles of Association, and who, being eligible, offer themselves for re-election:-
  - (a) Khor Chai Moi (Resolution 2)
  - (b) Alfian Bin Tan Sri Mohamed Basir (Resolution 3)
4. To approve the Directors' fees of RM75,000.00 for the financial year ended 31 December 2012. (Resolution 4)
5. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)
6. To transact any other ordinary business of which due notice shall have been given.

### As Special Business

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

#### Ordinary Resolutions

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

"THAT, the Company and its subsidiaries shall be mandated to enter into the categories of Recurrent Transactions of a revenue or trading nature which are necessary for their day-to-day operations and with those Related Parties as specified in Section 2.1.3 of the Circular dated 6 May 2013 subject further to the following:-

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

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

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

whichever is the earlier.

AND FURTHER THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing such documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution." (Resolution 6)

#### 8. Re-appointment as Independent Non-Executive Directors

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

- (a) "THAT Wang Shi Tsang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be re-appointed as an Independent Non-Executive Director of the Company." (Resolution 7)

## Notice of Annual General Meeting (cont'd)

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- (b) "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 nine (9) years be re-appointed as an Independent Non-Executive Director of the Company."  
(Resolution 8)

### Special Resolution

9. Proposed Amendments to the Articles of Association of the Company ("Proposed Articles Amendments")

"THAT approval be and is hereby given for the Company to amend its Articles of Association in the manner set out in Appendix I of the Circular to Shareholders dated 6 May 2013.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things may be required or relevant for or in connection with and to give full effect and implement the Proposed Articles Amendments with full powers to assent to or effect any conditions, modifications, variations and/or amendments in any manner as may be imposed or required by the relevant authorities."  
(Resolution 9)

By Order of the Board

Leong Keng Yuen (MIA 6090)  
Yeoh Peik Hong (MAICSA 7034341)  
Secretaries

Kuala Lumpur  
6 May 2013

Notes:

1. *In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 22 May 2013 ("General Meeting Record of Depositors") shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*
2. *A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. When a member appoints two or more proxies, 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.*
3. *The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 17th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.*
4. *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.*
5. *Explanatory Notes:-*

i. *Item 1 of the Agenda*

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

ii. *Ordinary Resolution 6*

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

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

iii. *Ordinary Resolutions 7 and 8*

*Re-appointment as Independent Non-Executive Directors*

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

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

iv. *Special Resolution 9*

*Proposed Amendments to the Articles of Association of the Company ("Proposed Articles Amendment")*

*This proposed Special Resolution, if passed, will render the Articles of Association of the Company in compliance with the provisions of the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*

*Shareholders are requested to refer to the enclosed Circular to Shareholders for additional information.*

# Statement Accompanying Notice of Annual General Meeting

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

- (a) Khor Chai Moi retiring by rotation under Article 93
- (b) Alfian Bin Tan Sri Mohamed Basir retiring by rotation under Article 93

## 2. Details of the attendance of Directors at Board Meetings

There are four (4) Board of Directors' Meetings held during the financial year ended 31 December 2012.

Board of Directors	No. of Meetings Attended
Alfian Bin Tan Sri Mohamed Basir	4/4
Khor Chai Moi	4/4
Wong Ah Chiew	3/4
Wang Shi Tsang	4/4
Mohd Isa Bin Ismail	3/4

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

The Fifteenth Annual General Meeting of the Company will be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur on Wednesday, 29 May 2013 at 10.00 a.m.

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

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

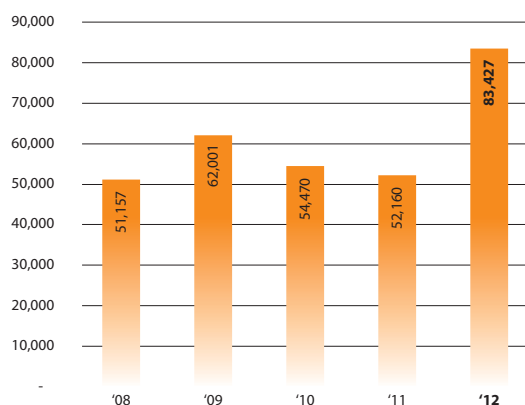


# Financial Highlights & Group Structure

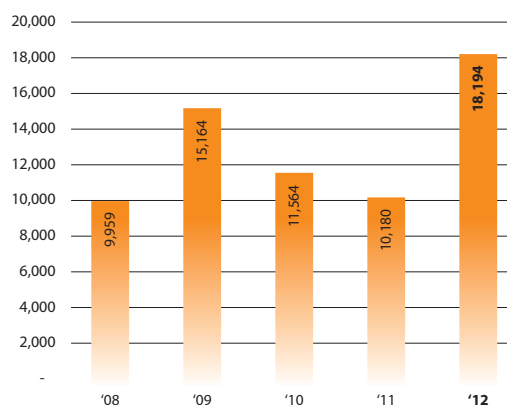
## FIVE-YEAR GROUP FINANCIAL SUMMARY (RM'000)

	2008	2009	2010	2011	2012
Revenue	51,157	62,001	54,470	52,160	83,427
Profit Before Tax	9,959	15,164	11,564	10,180	18,194
Profit Attributable To Owners Of The Parent	8,061	12,614	9,322	8,507	15,376
Total Assets	59,572	69,476	68,371	68,214	84,251
Total Liabilities	7,540	9,115	7,022	5,956	11,919
Total Equity Attributable To Owners Of The Parent	52,032	60,361	61,037	62,069	72,301
Basic Earnings Per Ordinary Share (sen)	3.25	5.10	3.77	3.49	6.32
Dividends Per Share (including special dividend) (sen)	2.00	2.00	3.00	3.00	2.50
Net Tangible Assets Per Share (sen)	21.01	24.38	24.86	25.58	29.70

Revenue (RM'000)



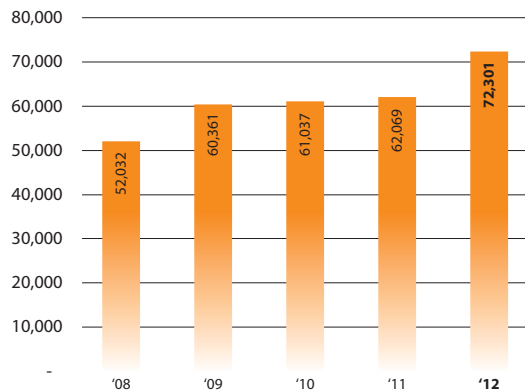
Profit Before Tax (RM'000)



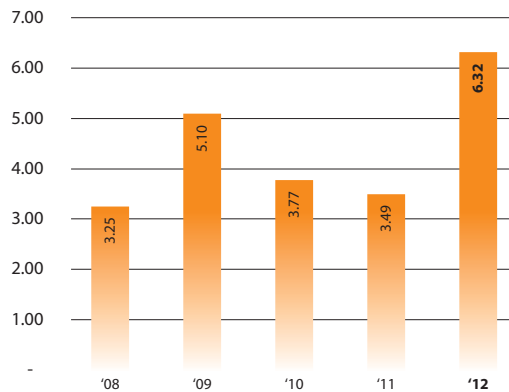


## Financial Highlights & Group Structure (cont'd)

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



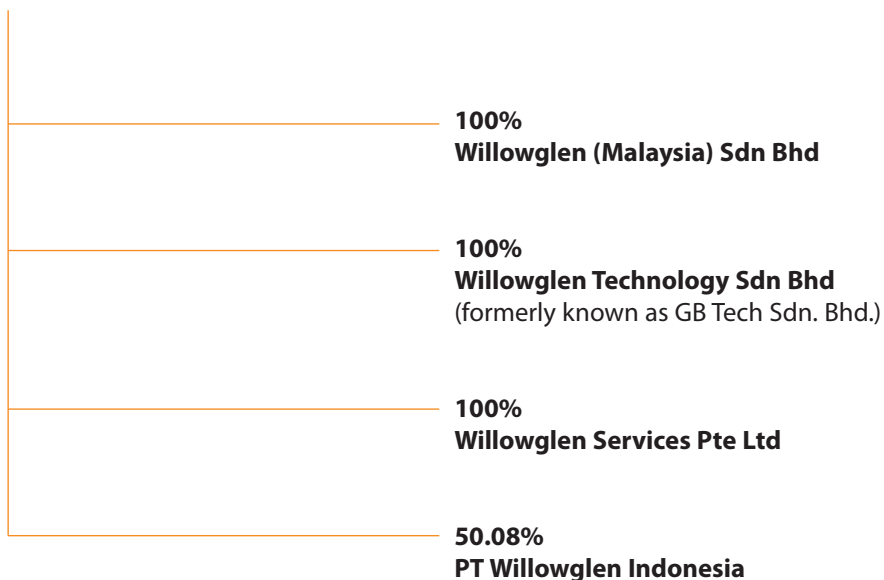
**Basic Earnings Per Ordinary Share (sen)**



## Group Structure

As at 8 April 2013

### Willowglen MSC Berhad



# Corporate Information

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## Board of Directors

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

Khor Chai Moi *(Managing Director)*

Wong Ah Chiew *(Non-Executive Director)*

Wang Shi Tsang *(Senior Independent Non-Executive Director)*

Mohd Isa Bin Ismail *(Independent Non-Executive Director)*

### Audit Committee

Wang Shi Tsang *(Chairman)*

Alfian Bin Tan Sri Mohamed Basir

Wong Ah Chiew

Mohd Isa Bin Ismail

### Nomination & Remuneration Committee

Alfian Bin Tan Sri Mohamed Basir *(Chairman)*

Wang Shi Tsang

Wong Ah Chiew

Mohd Isa Bin Ismail

### Secretaries

Leong Keng Yuen

Yeoh Peik Hong

### Auditors

Baker Tilly Monteiro Heng

Baker Tilly MH Tower

Level 10, Tower 1, Avenue 5

Bangsar South City

59200 Kuala Lumpur

### Stock Exchange Listing

Main Market of

Bursa Malaysia Securities Berhad

### Registered Office

17th Floor, Plaza OSK

Jalan Ampang

50450 Kuala Lumpur

Tel: 03-21617722 Fax: 03-21617782

### Head Office

No. 17 Jalan 2/149B

Taman Sri Endah

Bandar Baru Sri Petaling

57000 Kuala Lumpur

Tel: 03-90571228 Fax: 03-90571218

Email: [corpinfo@willowglen.com.my](mailto:corpinfo@willowglen.com.my)

Website: [www.willowglen.com.my](http://www.willowglen.com.my)

### Share Registrars

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-78418000 Fax: 03-78418008

### Principal Bankers

CIMB Bank Berhad

Malayan Banking Berhad

United Overseas Bank (Malaysia) Berhad

## Profile of Directors

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**ENCIK ALFIAN BIN TAN SRI MOHAMED BASIR**, aged 39, a Malaysian, is the **CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 9 October 2003.

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

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

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

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

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

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

He attended all four (4) Board Meetings held in the financial year ended 31 December 2012.

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**PUAN SRI KHOR CHAI MOI**, aged 60, a Malaysian, is the **MANAGING DIRECTOR** of the Company. She 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, she was re-appointed to the Board of Directors and subsequently appointed as Managing Director on 3 November 2004.

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

Puan Sri Khor holds a Bachelor of Business Degree in Accounting from the University of South Queensland, Australia, as well as a Master of Business Administration from the University of Hull, United Kingdom.

Puan Sri Khor is also currently an Executive Director of PJ Development Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Puan Sri Khor is the sister in-law of Mr. Wong Ah Chiew, the Non-Executive Director of the Company.

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

Puan Sri Khor has no conviction for any offences within the past ten years.

She attended all four (4) Board Meetings held in the financial year ended 31 December 2012.

## Profile of Directors (cont'd)

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**MR. WONG AH CHIEW**, aged 65, a Malaysian, is the **NON-EXECUTIVE 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.

He is a member of the Audit Committee, Corporate Announcement & Compliance Committee, and Nomination & Remuneration 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 marketing and administrative aspects of the housing and commercial property projects undertaken by the group.

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

He was the Managing Director of MCB Holdings Berhad, formerly a company listed on Bursa Malaysia Securities Berhad, from 1 August 1992 to 28 November 1997.

Mr. Wong is also currently the Managing Director of PJ Development Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Wong is the brother in-law of Puan Sri Khor Chai Moi, the Managing Director of the Company.

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

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

He attended three (3) out of four (4) Board Meetings held in the financial year ended 31 December 2012.

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**MR. WANG SHI TSANG**, aged 59, a Malaysian, is the **SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 27 June 2002.

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

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

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

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

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

He attended all four (4) Board Meetings held in the financial year ended 31 December 2012.

## Profile of Directors (cont'd)

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**ENCIK MOHD ISA BIN ISMAIL**, aged 50, a Malaysian, is an **INDEPENDENT NON-EXECUTIVE DIRECTOR** of the Company. He was appointed to the Board of Directors on 29 December 2006.

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

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

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

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

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

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

He attended three (3) out of four (4) Board Meetings held in the financial year ended 31 December 2012.



# Audit Committee Report

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

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

WONG AH CHIEW *(Non-Executive Director)*

MOHD ISA BIN ISMAIL *(Independent Non-Executive Director)*

## Summary of Terms of Reference

### 1.0 Objectives

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

### 2.0 Size and Composition

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

### 3.0 Chairman of the Audit Committee

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

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

### 4.0 Meetings of the Audit Committee

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

### 5.0 Duties and Rights

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

## Audit Committee Report (cont'd)

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

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

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

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

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

## 5.2 The Audit Committee shall:-

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

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

## Audit Committee Report (cont'd)

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### **6.0 Audit Committee Reports**

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

### **7.0 Rights of Auditors**

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

### **8.0 Functional Independence**

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

### **9.0 Reporting of Breaches to the Exchange**

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

### **10.0 Retirement and Resignation**

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

### **11.0 Review of the Audit Committee**

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

## Meetings

The Audit Committee held four (4) meetings during the financial year ended 31 December 2012.

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

Directors	Attendance of Meetings
Wang Shi Tsang	4/4
Alfian Bin Tan Sri Mohamed Basir	4/4
Wong Ah Chiew	3/4
Mohd Isa Bin Ismail	3/4

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

## Summary of Activities

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

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

## Audit Committee Report (cont'd)

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

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

### Internal Audit Function

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

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

The OIA had conducted a control assessment survey on the Group, an internal control review of the research & development, procurement and accounts payable functions of the Malaysian operations and a review of the finance, human resource and business development functions at the Group's Singapore operations. They have also conducted a review on the project management and cost control functions of the Malaysian operations to ensure the adequacy and effectiveness of the internal control systems and that costs and revenue are taken up timely, accurately in the accounts and are valid with proper approvals.

The cost incurred during the year under review for the OIA was RM 21,421.

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

# Chairman's Statement



## Our Vision

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

## Our Mission

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

## Our Core Values

### Customer Focus

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

### Commitment & Ownership

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

### Teamwork

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

### Leadership

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



## Chairman's Statement (cont'd)

WillowLynx Software



# Dear valued shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and its Group of companies for the financial year ended 31 December 2012.

## Financial Review

Willowglen MSC's financial performance has improved for the financial year ended 31 December 2012. Despite the weak global economy and stiff competitive market environment, all business units managed to register improvement in revenue that resulted in a 59.94% increase in Group revenue to RM83.43 million as compared to RM52.16 million in the previous year. Similarly, Group profit after tax increased by 81.73% to RM15.23 million from RM8.38 million last year, due to increase in number of projects awarded from the list of projects tendered in the year 2011.

As in previous years, the Group's main markets continue to be Singapore and Malaysia. The turnover from the Singapore and Malaysia operations has increased by 61.67% and 52.70% respectively compared to the last financial year. The Indonesia operations are at development stage and will focus on providing SCADA and security solutions to the data centers, utilities and building facilities industries.

The Group's basic earnings per ordinary share are 6.32 sen as compared to 3.49 sen for 2011. Our NTA per share has increased to 29.70 sen from 25.58 sen in 2011. In addition, the Group managed to maintain a strong net cash and investment securities amounting to RM33.13 million as of 31 December 2012 and without any bank borrowings.



*6900 Series RTU and 6500 series I/O Cards*

## Dividend

The Board is pleased to recommend a first and final tax exempt dividend of 20% and a special tax exempt dividend of 10% per share for the financial year ended 31 December 2012 for our shareholders' approval at the forthcoming Annual General Meeting.

## Industry Trend and Development

The global SCADA market is a well-defined and well-established market space that has been showing promising growth trends in recent years. With increasing end-user investments in the field of monitoring, visualization and control equipment, the global SCADA market is expected to experience healthy growth and transform into an indispensable part of industrial automation.

One of the key challenges that manufacturers face in the world SCADA market is ensuring enhanced cyber security. More vendors of SCADA and control products have begun to address these threats in a basic sense by developing lines of specialized industrial firewall and VPN solutions for TCP/IP-based networks. Additionally, application white listing solutions are being implemented because of their ability to prevent unauthorized application changes without the performance impact of traditional antivirus scans. Furthermore, the ISA Security Compliance Institute (ISCI) have started to formalize SCADA security testing. The challenge is not only to implement effective security measures, but also to educate people in the plant such as operators and engineers as well as system integrators and other developers about the importance of security.

For the near future, cyber security mechanisms will play a decisive role in SCADA selection and become a unique selling proposition across SCADA products from different automation vendors. It has been in our R&D Master Plan to incorporate this important feature in our next product release.

## Chairman's Statement (cont'd)

7000 Series RTU



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

In 2012, we have increased our R&D staff strength to undertake more research and development projects. The division delivered our first web based SCADA solution and our newest RTU 6900 has been deployed for our project in Slovenia where it will be used to manage the country gas distribution pipeline totaling more than one thousand kilometers.

There were two research projects started in the third quarter of 2012; first is adoption of Software Quality Assurance (SQA) in our R&D process. The SQA requires us to comply with software engineering process and methods used to ensure quality. The SQA encompasses processes from requirements definition, to final product release and subsequent updates. Second activity is implementation of Internet Protocol Security (IPSec) in our products to protect communication over the internet. The feature is being added in-line with current trends where more SCADA operators rely on public network for data communication due to lower cost.

This year our R&D engineers were also involved in project execution. We designed and developed the Kelana Jaya LRT SCADA systems where WillowLynx, 7000 and 6500 series RTU are being installed at all passenger stations, control center, depot and power substations. WillowLynx is the main interface software integrating all rail communication subsystems such as the passenger information and display systems (PIDS), CCTV, and Vehicle Radio Communication Systems (VRCS), into a single rail system management entity. This project resulted in our products having many new rail industry specific features and it is now at par with the ones offered by industry leaders.

Our R&D expenses in 2012 stood at about RM1.0 million. For 2013, the R&D group will continue to leverage its expertise on development of new and customized products and solutions to keep up with the trend.

## Prospects for the Year 2013

Under the Government's Economic Transformation Programme (ETP), the Greater Kuala Lumpur/Klang Valley ("KL/KV") has been identified as one of the twelve National Key Economic Areas (NKEA) to act as the driver of economic growth and to propel the country's economy further. Successful implementation will generate incremental Gross National Income and lead to additional business opportunities.



*Railway Utilities Monitoring*

In the Greater KL/KV programme, there are some key areas that will lead to the increase in the demand for SCADA and Security Systems applications, such as the High Speed Rail System, MY Rapit Transit and Sewerage Non-River. These new developments will provide Willowglen further opportunities to develop our business in Malaysia.

In Singapore, there will also be more business opportunities in line with the Government's initiative in population growth. As a result, this leads to the need for construction of new infrastructure, facilities for transportation and utilities such as power, water and sewerage plants. This will directly or indirectly provide opportunities for growth and demand for SCADA and Security Systems. In addition, some of our existing SCADA system users are due for upgrading this year, giving us the opportunity to offer them our new version of WillowLynx products.

As for Indonesia, we have participated in tenders for sewerage treatment plants and gas pipeline monitoring projects. We will continue to promote and seek opportunities to introduce our WillowLynx products in the country.

Overall, the Group will continue to capitalize on its core competencies in providing total SCADA and Security Solutions, developing innovative new solutions, applications and providing consultancy and advisory services in the technology, in its pursuit of greater returns for shareholders.

## Human Capital Development

Our focus on developing human capital remains at the top of our agenda. Our Group is committed to ensure that we have the best management teams and also to develop future leaders of the Group. With this in mind, our group continually nurtures our employees with relevant knowledge and technical skills. A performance management system has been put in place to meet challenges, promote innovation and develop top performing teams. These are critical criterias in building a strong performance culture in the Group.

## Chairman's Statement (cont'd)

*Integrated Security and Monitoring Solution*



## Acknowledgement and Appreciation

The Board of Directors of Willowglen MSC Berhad wishes to take this opportunity to thank the Group's shareholders, customers, business associates, partners and the regulatory authorities for their ongoing support. We also extend our gratitude to the management and staff for their dedication and commitment to the Group.

ALFIAN BIN TAN SRI MOHAMED BASIR  
Chairman



*RTU panels to be transported to site after Factory Acceptance Test (FAT)*



*6900 Series RTU to be air flown to an oil & gas company in Slovenia*



*Site Installation*





*Railway Utilities Monitoring*



*Oil & Gas*



*Port Facilities Monitoring*



*Power Transmission Monitoring*

Some of the  
SCADA Projects



*Building Services Monitoring*



*Sewerage Treatment Process Control and Plant Monitoring*



*Reservoir Monitoring*



*Process Control and Plant Monitoring*



*Gas Transmission & Distribution Pipeline Monitoring*





*Building Integrated Security & Monitoring Solution*



*Turnstile Security System & Visitor Management System*



*Security System Command Centre*



*Perimeter Fencing Monitoring*



# Corporate Social Responsibility Disclosure

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

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

## Environment

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

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

## Marketplace

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

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

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

## Workplace

The Group considers its people as the most valuable asset. We believe training and development is important in developing and upgrading skills, knowledge and attitudes to ensure optimal performance. We constantly provide in-house and external training programmes to enhance and increase employees' job-related skills, knowledge and experience.

## Corporate Social Responsibility Disclosure (cont'd)

*Annual Dinner*



We offer our staff an attractive benefits package, including Personal Accident Insurance and Medical Plan. The Group organises lunch talk every month as social gathering to maintain harmony and build better rapport between employees. During the year, the Group has "Fruit Day" every month by distributing an apple to staff as the management believes that "an apple a day, keeps the doctor away" and this Fruit Day also helps deliver message to staff that a healthy body is one of the main keys to success and the Group believes that each and every staff of the workforce can contribute something, either big or small to the Company. We also continually reward and recognise employees for their outstanding efforts and performance during the financial year.

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

## Community

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

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



*Before Lunch Talk*



*Lunch Talk*



*Christmas Celebration*



*Training*



*Birthday Celebration*

# Corporate Governance Statement

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

The Board is pleased to disclose herein the Group's application of the Recommendations as set out in the MCCG 2012 and the extent of compliance during this transition period throughout the financial year 2012 and to the date of this statement.

## 1. Directors

### 1.1 The Board

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

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

### 1.2 Board Balance

The Board consists of five (5) members, comprising the Managing Director, the Non-Executive Director, the Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

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

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

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

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

## Corporate Governance Statement (cont'd)

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

### 1.3 Re-appointment as Independent Non-Executive Directors

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

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

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

### 1.4 Supply of information

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

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

### 1.5 Appointment to the Board

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

The Committee is empowered by its terms of reference and its primary function is to recommend new candidates for directorship to the Board, recommend Directors to fill the seats on the Board Committees, assess the effectiveness of the Board, Board Committees and its members, assist the Board in reviewing the required mix of skills and experience and other qualities of the Board and ascertain a fair and comparable remuneration package for Executive Directors.

## **1.6 Re-election of Directors**

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

## **1.7 Directors' Training**

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

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

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

- 1.7.1 The Winning Mindset Programme
- 1.7.2 Women Directors Onboarding Training Programme
- 1.7.3 Chief Exec Conference 2012 – Investor Relations : It's All About Building Trust
- 1.7.4 Strategic Business Forum

## **1.8 Board Committees**

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

### **1.8.1 Audit Committee**

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

## Corporate Governance Statement (cont'd)

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### 1.8.2 Nomination & Remuneration Committee

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

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

### 1.9 Board Gender Diversity Policies and Targets

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

## 2. Directors' Remuneration

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

Directors' remuneration for the financial year ended 31 December 2012 is as follows:-

Remuneration Components	Company	
	Executive Director RM	Non-Executive Directors RM
Directors' fees	15,000	60,000
Salaries and bonus	421,500	-
	<b>436,500</b>	<b>60,000</b>

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

Remuneration Components	Company	
	Executive Director	Non-Executive Directors
RM50,000 and below	-	4
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	1	-

### 3. Shareholders

#### 3.1 Dialogue between companies and investors

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

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



## Corporate Governance Statement (cont'd)

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

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

## 4. Accountability and Audit

### 4.1 Financial Reporting

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

### 4.2 Statement of Directors' Responsibility

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

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2012, appropriate accounting policies have been adopted, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all the relevant approved accounting standards have been followed in the preparation of these statements.

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

### 4.3 Internal Control

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

### 4.4 Relationship with External Auditors

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

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## 5. Compliance Statement

The Board has initiated action to apply the Recommendations as set down in the MCCG 2012 and by the year end 2012 certain revisions to Terms of Reference of the various Committees, the Board Charter and Code of Ethics & Business Conduct have been drafted. The Group has finalised the revised Terms of Reference and evaluation forms and is now examining the details and the impact of the new documents, the Board Charter and the Code of Ethics & Business Conduct before final adoption.

# Statement on Risk Management & Internal Control

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## Introduction

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

## Board Responsibilities

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

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

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

Since the issue of the Statement on Risk Management and Internal Control: Guidelines for directors of listed issuers, management has been requested to re-examine the risk management and internal control processes and upgrade or extend the scope where required.

## Risk Management Framework

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

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

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

## Control Structure and Environment

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

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

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

- An organizational 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 Board and Audit Committee have engaged the Outsourced Internal Auditors (OIA) to carry out the internal audit function. The OIA monitors compliance with policies and procedures and the effectiveness of internal controls. The OIA adopts a risk-based approach in identifying areas of priority and carries out its duties according to the annual internal audit plan approved by the Audit Committee. An annual control assessment survey to identify the major risks is carried out by the OIA, who then give their assessment on the controls implements. The OIA also carries out follow up audits. Findings in respect of any material non-compliance are reported to the Audit Committee.
- The external auditors are engaged to express an opinion on the financial statements and also to report on the results of their test of controls to the Audit Committee.
- The Audit Committee reviews reports on all audits performed and ensures Management takes prompt and adequate corrective actions on the reported weaknesses and non-compliances identified in the audits.

## Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the risk management processes and internal controls.

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

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### 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 Managing Director, subsidiaries' Chief Executive Officer and General Managers and Assistant General Manager-Operations(group accountant) that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

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

# Financial Statements

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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 2012.

### Principal activities

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

### Results

	Group RM'000	Company RM'000
<b>Profit net of tax</b>	15,231	7,675
<b>Other comprehensive income for the financial year, net of tax</b>	928	-
<b>Total comprehensive income for the financial year</b>	16,159	7,675
<b>Profit attributable to:</b>		
Owners of the parent	15,376	7,675
Non-controlling interest	(145)	-
	15,231	7,675
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	16,317	7,675
Non-controlling interest	(158)	-
	16,159	7,675

### Dividends

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

	RM'000
First and final tax exempt dividend of 20% and a special tax exempt dividend of 5% on 243,406,600 ordinary shares in respect of the financial year ended 31 December 2011, approved by shareholders at the Annual General Meeting on 23 May 2012 and payable on 28 June 2012	6,085

At the forthcoming Annual General Meeting, a first and final tax exempt dividend of 20% and a special tax exempt dividend of 10% per share in respect of the financial year ended 31 December 2012 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

### Reserves and provisions

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

### Bad and doubtful debts

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

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

### Current assets

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

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

### Valuation methods

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

### Contingent and other liabilities

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

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

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

### Change of circumstances

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



## Directors' Report (cont'd)

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### Items of an unusual nature

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

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

### Issue of shares and debentures

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

### Treasury shares

During the financial year, the Company did not buy back any shares. As at 31 December 2012, of the total 248,000,000 issued and fully paid ordinary shares of RM0.10 each, 4,593,400 ordinary shares of RM0.10 each have been bought back and are currently held as treasury shares by the Company as disclosed in Note 17 to the financial statements.

### Directors

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

Alfian Bin Tan Sri Mohamed Basir  
Khor Chai Moi  
Wang Shi Tsang  
Wong Ah Chiew  
Mohd Isa Bin Ismail

### Directors' interests

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31 December 2012 are as follows:-

Number of ordinary shares of RM0.10 each				
	At 1.1.2012	Bought	Sold	At 31.12.2012
The Company <b>Willowglen MSC Berhad</b>				
<b>Direct interest in shares</b>				
Khor Chai Moi	1,686,600	100,000	-	1,786,600
Wong Ah Chiew	1,500,000	-	-	1,500,000
<b>Indirect interest in shares</b>				
Khor Chai Moi*	127,254,737	-	-	127,254,737
Wong Ah Chiew**	128,236,537	100,000	-	128,336,537
Number of ordinary shares of RM1/- each				
	At 1.1.2012	Bought	Sold	At 31.12.2012
The immediate holding company <b>New Advent Sdn. Bhd.</b>				
<b>Indirect interest in shares</b>				
Khor Chai Moi <sup>o</sup>	20	-	-	20
Wong Ah Chiew <sup>o</sup>	20	-	-	20
The ultimate holding company <b>Dindings Consolidated Sdn. Bhd.</b>				
<b>Direct interest in shares</b>				
Khor Chai Moi	5,575,484	-	-	5,575,484
Wong Ah Chiew	1,990,532	-	-	1,990,532
<b>Indirect interest in shares</b>				
Khor Chai Moi <sup>^</sup>	2,438,196	-	-	2,438,196

\* Indirect interest held through Land Management Sdn. Bhd., Dindings Consolidated Sdn. Bhd. and her children.

\*\* Indirect interest held through Dindings Consolidated Sdn. Bhd., Elegant Preference Sdn. Bhd., Jian Qi Holdings Sdn. Bhd., his spouse and son.

<sup>o</sup> Indirect interest through Dindings Consolidated Sdn. Bhd.

<sup>^</sup> Indirect interest through Land Management Sdn. Bhd., and children.

By virtue of their interests in the shares of the ultimate holding company, Dindings Consolidated Sdn. Bhd., Khor Chai Moi and Wong Ah Chiew are also deemed interested in the shares of the ultimate holding company's subsidiaries to the extent that it has an interest.

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

## Directors' Report (cont'd)

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### Directors' benefits

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

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

### Significant events during the financial year

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

### Significant event subsequent to the financial year

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

### Holding companies

The directors regard New Advent Sdn. Bhd. and Dindings Consolidated Sdn. Bhd., both incorporated and domiciled in Malaysia, as the immediate holding company and the ultimate holding company respectively.

### Auditors

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

On behalf of the Board,

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KHOR CHAI MOI  
Director

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WONG AH CHIEW  
Director

Kuala Lumpur  
Date : 18 March 2013

## Consolidated Statements of Financial Position

As at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	5,193	4,836	5,040
Investment properties	6	2,000	2,000	2,000
Investment securities	8	2,459	2,412	2,413
Deferred tax assets	9	78	42	3
<b>Total non-current assets</b>		<b>9,730</b>	9,290	9,456
<b>Current assets</b>				
Inventories	10	1,249	1,283	1,175
Amount due from contract customers	11	25,940	12,362	12,592
Trade receivables	12	14,656	8,716	6,323
Other receivables, deposits and prepayments	13	1,969	1,318	1,043
Tax recoverable		32	126	62
Cash and bank balances	15	30,675	35,119	37,720
<b>Total current assets</b>		<b>74,521</b>	58,924	58,915
<b>Total assets</b>		<b>84,251</b>	68,214	68,371

## Consolidated Statements of Financial Position (cont'd)

As at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
<b>Equity and liabilities</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	16	<b>24,800</b>	24,800	24,800
Treasury shares	17	<b>(1,653)</b>	(1,653)	(840)
Reserves	18	<b>49,154</b>	38,922	37,077
<b>Total equity attributable to owners of the parent</b>		<b>72,301</b>	62,069	61,037
Non-controlling interest		<b>31</b>	189	312
<b>Total equity</b>		<b>72,332</b>	62,258	61,349
<b>Non-current liabilities</b>				
Employee benefits	19	<b>35</b>	10	-
Provisions	20	<b>75</b>	72	72
Deferred tax liabilities	9	<b>130</b>	130	237
<b>Total non-current liabilities</b>		<b>240</b>	212	309
<b>Current liabilities</b>				
Provisions	20	<b>145</b>	102	284
Amount due to contract customers	11	<b>3,134</b>	636	734
Trade payables	21	<b>4,306</b>	2,295	2,849
Other payables and accruals	22	<b>1,247</b>	981	1,102
Tax payable		<b>2,847</b>	1,730	1,744
<b>Total current liabilities</b>		<b>11,679</b>	5,744	6,713
<b>Total liabilities</b>		<b>11,919</b>	5,956	7,022
<b>Total equity and liabilities</b>		<b>84,251</b>	68,214	68,371

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

## Statement of Financial Position

As at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	180	201	187
Investment in subsidiaries	7	17,502	16,250	16,250
<b>Total non-current assets</b>		<b>17,682</b>	16,451	16,437
<b>Current assets</b>				
Inventories	10	476	593	507
Amount due from contract customers	11	96	79	-
Trade receivables	12	893	-	-
Other receivables, deposits and prepayments	13	60	59	92
Amount owing by subsidiaries	14	8,690	6,256	8,352
Tax recoverable		-	69	30
Cash and bank balances	15	13,311	15,909	17,447
<b>Total current assets</b>		<b>23,526</b>	22,965	26,428
<b>Total assets</b>		<b>41,208</b>	39,416	42,865

## Statement of Financial Position (cont'd)

As at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
<b>Equity and liabilities</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	16	<b>24,800</b>	24,800	24,800
Treasury shares	17	<b>(1,653)</b>	(1,653)	(840)
Reserves	18	<b>17,413</b>	15,823	18,415
<b>Total equity attributable to owners of the parent</b>		<b>40,560</b>	38,970	42,375
<b>Current liabilities</b>				
Amount due to contract customers	11	<b>144</b>	-	-
Trade payables	21	<b>66</b>	1	-
Other payables and accruals	22	<b>87</b>	86	129
Amount owing to a subsidiary	14	<b>351</b>	359	361
<b>Total current liabilities</b>		<b>648</b>	446	490
<b>Total liabilities</b>		<b>648</b>	446	490
<b>Total equity and liabilities</b>		<b>41,208</b>	39,416	42,865

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

## Statements of Comprehensive Income

For the financial year ended 31 December 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Continuing operations</b>					
Revenue	23	<b>83,427</b>	52,160	<b>4,347</b>	1,955
Cost of sales		<b>(54,412)</b>	(30,418)	<b>(1,686)</b>	(672)
<b>Gross profit</b>		<b>29,015</b>	21,742	<b>2,661</b>	1,283
Other operating income		<b>927</b>	948	<b>7,471</b>	5,539
Administrative expenses		<b>(11,730)</b>	(12,485)	<b>(2,381)</b>	(1,984)
<b>Operating profit</b>	24	<b>18,212</b>	10,205	<b>7,751</b>	4,838
Finance costs	25	<b>(18)</b>	(25)	<b>(5)</b>	(7)
<b>Profit before tax</b>		<b>18,194</b>	10,180	<b>7,746</b>	4,831
Income tax expense	26	<b>(2,963)</b>	(1,799)	<b>(71)</b>	(115)
<b>Profit net of tax</b>		<b>15,231</b>	8,381	<b>7,675</b>	4,716
<b>Other comprehensive income for the financial year, net of tax</b>					
Net gain/(loss) on fair value changes on available for sale financial asset		<b>47</b>	(1)	-	-
Foreign currency translation		<b>881</b>	650	-	-
		<b>928</b>	649	-	-
<b>Total comprehensive income for the financial year</b>		<b>16,159</b>	9,030	<b>7,675</b>	4,716



## Statements of Comprehensive Income (cont'd)

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Profit attributable to:</b>					
Owners of the parent		<b>15,376</b>	8,507	<b>7,675</b>	4,716
Non-controlling interest		<b>(145)</b>	(126)	-	-
		<b>15,231</b>	8,381	<b>7,675</b>	4,716
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		<b>16,317</b>	9,153	<b>7,675</b>	4,716
Non-controlling interest		<b>(158)</b>	(123)	-	-
		<b>16,159</b>	9,030	<b>7,675</b>	4,716
<b>Earnings per ordinary share attributable to owners of the parent (sen)</b>					
- basic	27	<b>6.32</b>	3.49		
- diluted	27	<b>6.32</b>	3.49		

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

## Statements of Changes in Equity

For the financial year ended 31 December 2012

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

## Statements of Changes in Equity (cont'd)

For the financial year ended 31 December 2012

Group	Attributable to Owners of the Parent									
	Non-Distributable					Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Deficit RM'000	Foreign Currency Translation Reserve RM'000	Fair Value Adjustment Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
At 1 January 2011	24,800	(840)	4,440	(7,585)	1,837	210	38,175	61,037	312	61,349
Net gain on fair value changes on available for sale financial asset	-	-	-	-	-	(1)	-	(1)	-	(1)
Foreign currency translation	-	-	-	-	647	-	-	647	3	650
Total other comprehensive income for the financial year, net of tax	-	-	-	-	647	(1)	-	646	3	649
Profit/(loss) net of tax	-	-	-	-	-	-	8,507	8,507	(126)	8,381
Total comprehensive income for the financial year	-	-	-	-	647	(1)	8,507	9,153	(123)	9,030
Transactions with owners										
Share buy-back	-	(813)	-	-	-	-	-	(813)	-	(813)
Dividends (Note 28)	-	-	-	-	-	-	(7,308)	(7,308)	-	(7,308)
Total transactions with owners	-	(813)	-	-	-	-	(7,308)	(8,121)	-	(8,121)
At 31 December 2011	24,800	(1,653)	4,440	(7,585)	2,484	209	39,374	62,069	189	62,258

Company	Non-Distributable			Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2012	24,800	(1,653)	4,440	11,383	38,970
Profit net of tax and total comprehensive income for the financial year	-	-	-	7,675	7,675
Transactions with owners					
Dividends (Note 28)	-	-	-	(6,085)	(6,085)
Total transactions with owners	-	-	-	(6,085)	(6,085)
At 31 December 2012	24,800	(1,653)	4,440	12,973	40,560
At 1 January 2011	24,800	(840)	4,440	13,975	42,375
Profit net of tax and total comprehensive income for the financial year	-	-	-	4,716	4,716
Transactions with owners					
Share buy-back	-	(813)	-	-	(813)
Dividends (Note 28)	-	-	-	(7,308)	(7,308)
Total transactions with owners	-	(813)	-	(7,308)	(8,121)
At 31 December 2011	24,800	(1,653)	4,440	11,383	38,970

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

## Statements of Cash Flows

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Operating activities</b>					
Profit before tax		<b>18,194</b>	10,180	<b>7,746</b>	4,831
Adjustments for:-					
Allowances for inventories obsolescence		<b>24</b>	76	-	1
Bad debts written off		<b>2</b>	-	-	-
Depreciation of property, plant and equipment		<b>650</b>	605	<b>52</b>	63
Dividend income		-	-	<b>(7,007)</b>	(4,860)
Gain on disposal on property, plant and equipment		<b>(210)</b>	(13)	-	-
Interest income		<b>(568)</b>	(752)	<b>(465)</b>	(630)
Property, plant and equipment written off		<b>14</b>	7	-	-
Reversal of write down of inventories		<b>(2)</b>	(7)	-	(7)
Unrealised loss on foreign exchange		<b>17</b>	2	-	(2)
<b>Operating cash flows before changes in working capital</b>					
		<b>18,121</b>	10,098	<b>326</b>	(604)
Changes in working capital:					
Net changes in employee benefit and provision		<b>71</b>	(172)	-	-
Net changes in inventories		<b>10</b>	(177)	<b>117</b>	(80)
Net changes in contract customers		<b>(11,080)</b>	132	<b>127</b>	(79)
Net changes in receivables		<b>(6,591)</b>	(2,668)	<b>(894)</b>	33
Net changes in payables		<b>2,277</b>	(675)	<b>66</b>	(42)
Net changes in inter-company balances		-	-	<b>(2,072)</b>	-
<b>Cash flows from/(used in) operations carried forward</b>					
		<b>2,808</b>	6,538	<b>(2,330)</b>	(772)

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Cash flows from/(used in) operations brought forward</b>		<b>2,808</b>	6,538	<b>(2,330)</b>	(772)
Interest received		<b>568</b>	752	<b>465</b>	630
Tax paid		<b>(1,788)</b>	(1,986)	<b>(2)</b>	(154)
<b>Net cash flows from/(used in) operating activities</b>		<b>1,588</b>	5,304	<b>(1,867)</b>	(296)
<b>Investing activities:</b>					
Purchase of property, plant and equipment		<b>(1,005)</b>	(381)	<b>(31)</b>	(77)
Dividend received		-	-	<b>7,007</b>	4,860
Investment in subsidiary		-	-	<b>(1,252)</b>	-
Net change in amount owing by a subsidiary		-	-	<b>(370)</b>	2,094
Proceeds from disposal of property, plant and equipment		<b>210</b>	13	-	-
<b>Net cash flows (used in)/from investing activities</b>		<b>(795)</b>	(368)	<b>5,354</b>	6,877
<b>Financing activities:</b>					
Dividends paid		<b>(6,085)</b>	(7,308)	<b>(6,085)</b>	(7,308)
Fixed term deposits held as security value		<b>(66)</b>	263	<b>(24)</b>	(22)
Share buy-back		-	(813)	-	(813)
<b>Net cash flows used in financing activities</b>		<b>(6,151)</b>	(7,858)	<b>(6,109)</b>	(8,143)
<b>Net change in cash and cash equivalents carried forward</b>		<b>(5,358)</b>	(2,922)	<b>(2,622)</b>	(1,562)

## Statements of Cash Flows (cont'd)

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Net change in cash and cash equivalents brought forward</b>		<b>(5,358)</b>	<b>(2,922)</b>	<b>(2,622)</b>	<b>(1,562)</b>
Effect of exchange rate changes on cash and cash equivalents		<b>848</b>	584	-	2
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>33,103</b>	35,441	<b>14,796</b>	16,356
<b>Cash and cash equivalents at the end of the financial year</b>		<b>28,593</b>	33,103	<b>12,174</b>	14,796
<b>Analysis of cash and cash equivalents:</b>					
Fixed deposits placed with licensed banks		<b>16,114</b>	12,919	<b>9,899</b>	15,883
Short term investment		<b>3,025</b>	9,216	<b>3,025</b>	-
Cash at banks and on hand		<b>11,536</b>	12,984	<b>387</b>	26
	15	<b>30,675</b>	35,119	<b>13,311</b>	15,909
Less: Fixed deposits held as security value		<b>(2,082)</b>	(2,016)	<b>(1,137)</b>	(1,113)
		<b>28,593</b>	33,103	<b>12,174</b>	14,796

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



## Notes to the Financial Statements

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### 1. General information

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

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

The registered office of the Company is located at 17th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 March 2013.

### 2 Basis of preparation

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

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

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

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 requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

## Notes to the Financial Statements (cont'd)

### 2 Basis of preparation (continued)

#### 2.1 New, Revised and Amendments/Improvements to Accounting Standards and IC Int

##### (a) Explanation of Transition to MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time adoption of MFRSs for the current financial year ended 31 December 2012.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1 January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

As at 31 December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs.

The adoption of the MFRSs for the current financial year did not result in any changes in accounting policies and material adjustments to the Group's and the Company's statements of financial position, statements of comprehensive income and statements of cash flows which are reported in accordance with the previous FRSs.

##### (b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		<b>Effective for financial periods beginning on or after</b>
<b>New MFRSs</b>		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
<b>Revised MFRSs</b>		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
<b>Amendments/Improvements to MFRSs</b>		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
<b>New IC Int</b>		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<b>Amendments to IC Int</b>		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

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

## Notes to the Financial Statements (cont'd)

### 2 Basis of preparation (continued)

#### 2.1 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

##### (b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (continued)

###### **MFRS 9 Financial Instruments**

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

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

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

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

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

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

###### **MFRS 11 Joint Arrangements**

MFRS 11 supersedes the former MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

### **MFRS 12 Disclosures of Interests in Other Entities**

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

### **MFRS 13 Fair Value Measurement**

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **MFRS 128 Investments in Associates and Joint Ventures (Revised)**

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

### **Amendments to MFRS10, MFRS12 and MFRS127 Investment Entities**

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements.

## **3. Significant accounting policies**

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

### **(a) Basis of Consolidation and Subsidiaries**

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

Subsidiaries are entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

## Notes to the Financial Statements (cont'd)

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### 3. Significant accounting policies (continued)

#### (a) Basis of Consolidation and Subsidiaries (continued)

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method except for certain business combinations which were accounted using the merger method as subsidiaries that were consolidated prior to 1 January 2006 in accordance with FRS 122<sup>2004</sup> Business Combinations, the generally accepted accounting principles prevailing at that time. The Group has taken advantage of the exemption provided by FRS 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.

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The accounting policy on goodwill is set out in Note 3(b) to the financial statements.

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Intra-group transactions, balances and resulting unrealised gains on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation unless costs cannot be recovered. When necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through subsidiary. It is measured at the non-controlling interest holders' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the non-controlling interest holders' share of changes in the subsidiary's equity since that date.

Where losses applicable to the non-controlling interest exceed the non-controlling interest in the equity of a subsidiary, the excess and any further losses applicable to the non-controlling are charged against the Group's interest except to the extent that the non-controlling has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequent reports profits, the Group's interest is allocated all such profit until the non-controlling share of losses previously absorbed by the Group has been recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences and carrying amount of goodwill that relate to the subsidiary and is recognised in the consolidated statement of comprehensive income.

In accordance with MFRS 127, Consolidated and Separate Financial Statements (revised), upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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

## **(b) Goodwill on Consolidation**

### **i. Acquisition before 1 January 2011**

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is stated at cost less impairment losses, if any.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in the profit or loss.

### **ii. Acquisition on or after 1 January 2011**

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for



## Notes to the Financial Statements (cont'd)

### 3. Significant accounting policies (continued)

#### (b) Goodwill on Consolidation (continued)

within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and or future service.

#### (c) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

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

#### (d) Investment Properties

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

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

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

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

## **(e) Impairment**

### **(i) Impairment of Financial Assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

## Notes to the Financial Statements (cont'd)

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### 3. Significant accounting policies (continued)

#### (e) Impairment (continued)

##### (ii) Impairment of Non-Financial Assets

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

#### (f) Inventories

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

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

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

#### (g) Financial Instruments

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

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

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

**(i) Financial Assets**

**Financial Assets at Fair Value Through Profit or Loss**

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

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

**Loans and Receivables**

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

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

**Held-to-Maturity Investments**

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

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

**Available-for-Sale Financial Assets**

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

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

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

## Notes to the Financial Statements (cont'd)

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### 3. Significant accounting policies (continued)

#### (g) Financial Instruments (continued)

##### (ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

##### (iv) Regular Way Purchase or Sale of Financial Assets

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

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### (v) Derecognition

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

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

#### **(h) Provisions**

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

#### **(i) Amounts Due From/To Contract Customers**

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

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

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

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

#### **(j) Ordinary Shares**

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

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

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

## Notes to the Financial Statements (cont'd)

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### 3. Significant accounting policies (continued)

#### (k) Treasury Shares

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

#### (l) Foreign Currencies

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

##### (i) Foreign Currency Transaction

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

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

##### (ii) Financial Statement of Foreign Operation

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

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

#### (m) Revenue

##### (i) Contract Works

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

**(ii) Provision of Maintenance Services**

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

**(iii) Rental and Interest Income**

Rental and interest income are recognised on an accrual basis.

**(iv) Dividend Income**

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

**(n) Income Taxes**

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

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

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

**(o) Borrowing Costs**

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



## Notes to the Financial Statements (cont'd)

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### 3. Significant accounting policies (continued)

#### (p) Employee Benefits

##### (i) Short Term Employee Benefits

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

##### (ii) Post-Employment Benefits

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

##### (iii) Employee Leave Entitlement

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

##### (iv) Defined Benefit Plan

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

The liabilities in respect of the defined benefit plan are determined by an actuarial valuation for its defined benefit obligation. The current service cost is calculated as the present value of benefit that will accrue on valuation date. The liabilities will be recognised immediately in the year they are accrued.

#### (q) Leases

##### (i) Finance Leases

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

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

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit or loss over the term of the

relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

**(ii) Operating Leases**

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

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group adopted the amendment made to FRS 117 Lease on 1 January 2010 in relation to the classification of lease and of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

**(r) Contingencies**

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

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

**(s) Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**(t) Cash and Cash Equivalents**

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

**4. Significant accounting estimates and judgements**

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

## Notes to the Financial Statements (cont'd)

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### 4. Significant accounting estimates and judgements (continued)

#### 4.1 Judgements Made in Applying Accounting Policies

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

##### (a) Classification of Financial Assets

The Group has classified its investment in debt securities as available-for-sale investment. In applying the accounting policy, the Group assesses its nature and the intention at each reporting date. Should the circumstances change in the future, the classification of this financial asset as available-for-sale may be no longer appropriate.

##### (b) Leases

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

#### 4.2 Key Sources of Estimation Uncertainty

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

##### (i) Useful Lives of Property, Plant and Equipment

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

##### (ii) Impairment of Investment in Subsidiaries

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

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

**(iii) Impairment of Non-Current Assets**

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

**(iv) Deferred Tax Assets**

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

**(v) Allowance for Inventories**

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

**(vi) Allowance for Impairment of Receivables**

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

**(vii) Contracts Work in Progress**

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

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

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

## Notes to the Financial Statements (cont'd)

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### 4. Significant accounting estimates and judgements (continued)

#### 4.2 Key Sources of Estimation Uncertainty (continued)

##### (viii) Revaluation of Investment Properties

The Group carries its investment properties at fair values, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine the fair value as at 31 December 2010. The valuer used a valuation technique based on open market value basis. The directors are of the opinion that, based on an available market information, the fair value of the investment properties are still remain the same. Therefore, no changes in fair value are recognised in profit or an loss during the financial year.

##### (ix) Income Taxes

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

##### (x) Provisions

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

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

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

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

##### (xi) Defined Benefit Plan

The cost of defined benefit plan as well as the present value of the unfunded obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rate, salary incremental rate and pension incremental rate. All assumptions are reviewed at each reporting date.

## 5. Property, plant and equipment

Group 2012	Furniture and Fittings RM'000	Office Equipment RM'000	Motor Vehicles RM'000	Computers RM'000	Renovation RM'000	Buildings RM'000	Long term Leasehold Land RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2012	693	1,021	1,109	3,604	1,172	1,354	1,716	10,669
Additions	29	68	665	231	12	-	-	1,005
Disposals/write-offs	(7)	-	(426)	(76)	-	-	-	(509)
Exchange differences	12	12	16	45	11	-	-	96
At 31 December 2012	727	1,101	1,364	3,804	1,195	1,354	1,716	11,261
<b>Accumulated Depreciation</b>								
At 1 January 2012	351	713	786	3,256	481	145	101	5,833
Depreciation for the financial year	60	66	180	159	130	32	23	650
Disposals/write-offs	(2)	-	(426)	(67)	-	-	-	(495)
Exchange differences	6	11	17	42	4	-	-	80
At 31 December 2012	415	790	557	3,390	615	177	124	6,068
<b>Carrying Amounts at 31 December 2012</b>	312	311	807	414	580	1,177	1,592	5,193

## Notes to the Financial Statements (cont'd)

5. Property, plant and equipment (continued)											
Group 2011	Furniture and fittings				Office Equipment	Motor Vehicles	Computers	Renovation	Buildings	Long term Leasehold Land	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	680		963	1,075	3,530	1,116	1,354	1,716	10,434		
Additions	22		66	93	154	46	-	-	381		
Disposals/write-offs	(21)		(19)	(81)	(125)	-	-	-	(246)		
Exchange differences	12		11	22	45	10	-	-	100		
At 31 December 2011	693		1,021	1,109	3,604	1,172	1,354	1,716	10,669		
Accumulated Depreciation											
At 1 January 2011	298		663	715	3,184	343	113	78	5,394		
Depreciation for the financial year	66		58	138	153	135	32	23	605		
Disposals/write-offs	(18)		(18)	(81)	(122)	-	-	-	(239)		
Exchange differences	5		10	14	41	3	-	-	73		
At 31 December 2011	351		713	786	3,256	481	145	101	5,833		
Carrying Amounts at 31 December 2011											
	342		308	323	348	691	1,209	1,615	4,836		
Carrying Amounts at 1 January 2011											
	382		300	360	346	773	1,241	1,638	5,040		

<b>Company 2012</b>	<b>Furniture and Fittings RM'000</b>	<b>Office Equipment RM'000</b>	<b>Computers RM'000</b>	<b>Renovation RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>					
At 1 January 2012	54	52	1,249	128	1,483
Additions	-	3	28	-	31
At 31 December 2012	54	55	1,277	128	1,514
<b>Accumulated Depreciation</b>					
At 1 January 2012	51	38	1,152	41	1,282
Depreciation for the financial year	2	3	35	12	52
At 31 December 2012	53	41	1,187	53	1,334
<b>Carrying Amounts at 31 December 2012</b>	<b>1</b>	<b>14</b>	<b>90</b>	<b>75</b>	<b>180</b>
<b>2011</b>					
<b>Cost</b>					
At 1 January 2011	54	51	1,189	112	1,406
Additions	-	1	60	16	77
At 31 December 2011	54	52	1,249	128	1,483
<b>Accumulated Depreciation</b>					
At 1 January 2011	48	34	1,108	29	1,219
Depreciation for the financial year	3	4	44	12	63
At 31 December 2011	51	38	1,152	41	1,282
<b>Carrying Amounts at 31 December 2011</b>	<b>3</b>	<b>14</b>	<b>97</b>	<b>87</b>	<b>201</b>
<b>Carrying Amounts at 1 January 2011</b>	<b>6</b>	<b>17</b>	<b>81</b>	<b>83</b>	<b>187</b>



## Notes to the Financial Statements (cont'd)

### 6. Investment properties

	<b>31.12.2012</b>	<b>Group 31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January / 31 December	<b>2,000</b>	2,000	2,000

The investment properties are all held under long term leaseholds.

The rental income earned by the Group from its investment properties during the financial year is RM114,700/- (31 December 2011: RM109,200/-; 1 January 2011: RM108,450/-).

Investment properties are stated at fair value, which has been determined based on a valuation report in the year 2010 using the open market value basis. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The directors are of the opinion that, based on available market information, the fair value of the investment properties still remains the same. Therefore, no changes in fair value are recognised in profit or loss during the financial year.

### 7. Investment in subsidiaries

	<b>31.12.2012</b>	<b>Group 31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	<b>17,502</b>	16,250	16,250

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Group's Effective Ownership Interest			Principal Activities
		31.12.2012 %	31.12.2011 %	01.01.2011 %	
Willowglen (Malaysia) Sdn. Bhd.	Malaysia	100	100	100	Sales, implementation and maintenance of computer-based control systems
Willowglen Technology Sdn. Bhd. (formerly known as GB Tech Sdn. Bhd.)	Malaysia	100	100	100	Dormant
Willowglen Services Pte. Ltd. +	Singapore	100	100	100	Design, supply, engineering, implementation and maintenance of computer-based control systems
PT Willowglen Indonesia +	Indonesia	50.08	50.08	50.08	Trading, hardware and software consulting services

+ These companies are not audited by Baker Tilly Monteiro Heng

## Notes to the Financial Statements (cont'd)

### 8. Investment securities

	31.12.2012 RM'000	Group 31.12.2011 RM'000	01.01.2011 RM'000
<b>Available-for-sale financial asset</b>			
<b>-debt securities</b>			
At 1 January	2,412	2,413	2,147
Effects of adopting FRS 139	-	-	56
Net gain / (loss) on fair value changes recognised in other comprehensive income	47	(1)	210
At 31 December	2,459	2,412	2,413

### 9. Deferred taxation

The amount determined after appropriate offsetting, are as follows:

	31.12.2012 RM'000	Group 31.12.2011 RM'000	01.01.2011 RM'000
Deferred tax assets	78	42	3
Deferred tax liabilities	(130)	(130)	(237)
	(52)	(88)	(234)

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.

	31.12.2012 RM'000	Group 31.12.2011 RM'000	01.01.2011 RM'000
At 1 January	(88)	(234)	91
Recognised in profit or loss (Note 26)			
- property, plant and equipment	(13)	34	(62)
- tax losses	35	36	(157)
- other items	14	76	(106)
	36	146	(325)
At 31 December	(52)	(88)	(234)

	31.12.2012 RM'000	Group 31.12.2011 RM'000	01.01.2011 RM'000
<b>Deferred tax assets (before offsetting)</b>			
Unutilised tax losses	74	39	3
Other items	126	112	-
Offsetting	(122)	(109)	-
<b>Deferred tax assets (after offsetting)</b>	<b>78</b>	<b>42</b>	<b>3</b>
<b>Deferred tax liabilities (before offsetting)</b>			
Property, plant and equipment	(252)	(239)	(273)
Other items	-	-	36
Offsetting	122	109	-
<b>Deferred tax liabilities (after offsetting)</b>	<b>(130)</b>	<b>(130)</b>	<b>(237)</b>

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

	31.12.2012 RM'000	Group / Company 31.12.2011 RM'000	01.01.2011 RM'000
Unutilised tax losses	7,011	7,409	7,233
Deductible temporary difference	70	43	1
	<b>7,081</b>	<b>7,452</b>	<b>7,234</b>
Potential deferred tax assets not recognised at 25%	<b>1,770</b>	<b>1,863</b>	<b>1,808</b>

The Company was granted Multimedia Super Corridor ("MSC") status on 31 March 1998. By virtue of this status, the Company has been granted full pioneer status as an incentive for a maximum allowable period of ten years. The pioneer status have expired on 3 June 2012.

## 10. Inventories

	31.12.2012 RM'000	Group 31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	Company 31.12.2011 RM'000	01.01.2011 RM'000
<b>At Cost</b>						
Consumables	1,249	1,283	1,175	476	593	507

During the financial year, the write down of inventories to their net realisable values for the Group and the Company amounted to RM24,000/- and RM Nil (31 December 2011: RM76,000/- and RM1,000/-; 1 January 2011: RM99,000/- and RM99,000/-) respectively. The reversal of write down of inventories for the Group and the Company of RM2,000/- and RM Nil (31 December 2011: RM7,000/- and RM7,000/-; 1 January 2011: RM30,000/- and RM Nil) respectively were made during the financial year when the related inventories were sold above their carrying amounts.

## Notes to the Financial Statements (cont'd)

### 11. Amount due from/(to) contract customers

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Aggregate costs incurred to date	<b>66,670</b>	38,261	39,716	<b>959</b>	79	33
Attributable profits	<b>24,331</b>	18,105	18,276	<b>1,046</b>	-	-
	<b>91,001</b>	56,366	57,992	<b>2,005</b>	79	33
Progress billings	<b>(68,195)</b>	(44,640)	(46,134)	<b>(2,053)</b>	-	(33)
	<b>22,806</b>	11,726	11,858	<b>(48)</b>	79	-
Amount due from contract customers	25,940	12,362	12,592	<b>96</b>	79	-
Amount due to contract customers	<b>(3,134)</b>	(636)	(734)	<b>(144)</b>	-	-
	<b>22,806</b>	11,726	11,858	<b>(48)</b>	79	-
Contract costs recognised as contract expense during the financial year	<b>50,160</b>	24,966	26,297	<b>1,686</b>	79	96
Contract revenue recognised as contract revenue during the financial year	<b>71,744</b>	38,907	43,187	<b>4,347</b>	-	374

### 12. Trade receivables

Included in trade receivables of the Group are retention sums totalling RM1,043,716/- (31 December 2011: RM522,767/-; 1 January 2011: RM220,718/-) relating to contract work-in-progress.

Trade receivables are non-interest bearing and the normal trade credit terms range from 30 days to 60 days (31 December 2011: 30 days to 60 days; 1 January 2011: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	8,911	5,064	3,870	841	-	-
1 to 30 days past due not impaired	3,308	2,686	1,365	27	-	-
31 to 60 days past due not impaired	1,599	616	502	-	-	-
61 to 90 days past due not impaired	361	108	52	25	-	-
More than 90 days past due not impaired	477	242	534	-	-	-
	5,745	3,652	2,453	52	-	-
	14,656	8,716	6,323	893	-	-

Receivables that are neither past due nor impaired

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

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.

The classification of financial assets is as follows:-

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	14,656	8,716	6,323	893	-	-
Other receivables (Note 13)	1,245	700	552	47	46	72
Deposits (Note 13)	422	389	336	8	8	8
Amount owing by subsidiaries (Note 14)	-	-	-	8,690	6,256	8,352
Cash and bank balances (Note 15)	30,675	35,119	37,720	13,311	15,909	17,447
Total receivables	46,998	44,924	44,931	22,949	22,219	25,879

## Notes to the Financial Statements (cont'd)

### 13. Other receivables, deposits and prepayments

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other receivables	1,245	700	552	47	46	72
Deposits	422	389	336	8	8	8
Prepayments	302	229	155	5	5	12
	<b>1,969</b>	1,318	1,043	<b>60</b>	59	92

### 14. Amount owing by/to subsidiaries

	Company		
	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Amount owing by subsidiaries			
Trade	5,167	3,095	5,959
Non-trade	3,523	3,161	2,393
	<b>8,690</b>	6,256	8,352

The amount owing by subsidiaries are unsecured, non-interest bearing and repayable on demand, except for an amount owing by a subsidiary which bears interest at the rate of 2.3% (31 December 2011: 2.3%; 1 January 2011: 2.3%) per annum on a monthly basis.

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

### 15. Cash and bank balances

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed deposits placed with licensed banks	16,114	12,919	19,771	9,899	15,883	17,325
Short term deposits placed with licensed bank	-	-	400	-	-	-
Short term investment	3,025	9,216	-	3,025	-	-
Cash at banks and on hand	11,536	12,984	17,549	387	26	122
Cash and bank balances	<b>30,675</b>	35,119	37,720	<b>13,311</b>	15,909	17,447

Cash at banks earns interest at floating rates based on daily bank deposit rates. Fixed and short term deposits and short term investment are made for varying periods of between one day to twelve months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective interest rates. The weighted average effective interest rates as at 31 December 2012 for the Group and the Company were 1.4% (31 December 2011: 2.1%; 1 January 2011: 2.8%) and 1.6% (31 December 2011: 2.5%; 1 January 2011: 2.9%) respectively.

Fixed deposits placed with licensed banks of the Group and of the Company amounting to RM2,082,000/- and RM1,137,000/- (31 December 2011: RM2,016,000/- and RM1,113,000/-; 1 January 2011: RM2,279,000/- and RM1,091,000/-) respectively are pledged as securities for banking facilities granted to the Group.

## 16. Share capital

	31.12.2012		31.12.2011		01.01.2011	
	Number of Shares Unit'000	RM'000	Number of Shares Unit'000	RM'000	Number of Shares Unit'000	RM'000
Ordinary shares of RM0.10 each						
Authorised:						
At the beginning/ end of the financial year	1,000,000	100,000	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:						
At the beginning/ end of the financial year	248,000	24,800	248,000	24,800	248,000	24,800

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

As at 31 December 2012, of the total 248,000,000 (31 December 2011: 248,000,000; 1 January 2011: 248,000,000) issued and fully paid ordinary shares of RM0.10 each, 4,593,400 (31 December 2011: 4,593,400; 1 January 2011: 2,429,800) ordinary shares of RM0.10 each are currently held as treasury shares by the Company as disclosed in Note 17 to the financial statements. The number of outstanding shares on issue after the share buy-back is 243,406,600 (31 December 2011: 243,406,600; 1 January 2011: 245,570,200) ordinary shares of RM0.10 each as at 31 December 2012.



## Notes to the Financial Statements (cont'd)

### 17. Treasury shares

	31.12.2012		Group and Company 31.12.2011		01.01.2011	
	Number of Shares Unit'000	RM'000	Number of Shares Unit'000	RM'000	Number of Shares Unit'000	RM'000
At 1 January	<b>4,593</b>	<b>1,653</b>	2,430	840	430	75
Shares purchased during the financial year	-	-	2,163	813	2,000	765
At 31 December	<b>4,593</b>	<b>1,653</b>	4,593	1,653	2,430	840

During the financial year, the Company did not buy back any shares. As at 31 December 2012, of the total 248,000,000 issued and fully paid ordinary shares of RM0.10 each, 4,593,400 ordinary shares of RM0.10 each have been bought back and are currently held as treasury shares by the Company.

### 18. Reserves

	31.12.2012 RM'000	Group 31.12.2011 RM'000	01.01.2011 RM'000	31.12.2012 RM'000	Company 31.12.2011 RM'000	01.01.2011 RM'000
<b>Non-distributable</b>						
Share premium	<b>4,440</b>	4,440	4,440	<b>4,440</b>	4,440	4,440
Merger deficit	<b>(7,585)</b>	(7,585)	(7,585)	-	-	-
Foreign currency translation reserve	<b>3,378</b>	2,484	1,837	-	-	-
Fair value adjustment reserve	<b>256</b>	209	210	-	-	-
<b>Distributable</b>						
Retained earnings	<b>48,665</b>	39,374	38,175	<b>12,973</b>	11,383	13,975
	<b>49,154</b>	38,922	37,077	<b>17,413</b>	15,823	18,415

#### Share Premium

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

#### Foreign currency translation reserve

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

#### Fair value adjustment reserve

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

**Retained earnings**

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank and distribute all of its distributable reserve at 31 December 2012 if paid out as dividends.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2012 to distribute dividends to its ordinary shareholders as defined under the Finance Act 2007.

**19. Employee benefits**

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

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

	<b>31.12.2012</b>	<b>Group 31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Present value of unfunded obligation	<b>35</b>	10	-

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

	<b>31.12.2012</b>	<b>Group 31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>10</b>	-	-
Current service costs recognised in profit or loss (Note 24)	<b>25</b>	10	-
At 31 December	<b>35</b>	10	-

The principal actuarial assumptions used are as follows:

	<b>31.12.2012</b>	<b>Group 31.12.2011</b>	<b>01.01.2011</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate	<b>8.0</b>	8.0	-
Salary incremental rate	<b>5.0</b>	5.0	-
Pension incremental rate	<b>1.8</b>	1.8	-

## Notes to the Financial Statements (cont'd)

### 20. Provisions

	<b>Maintenance Warranties RM'000</b>	<b>Group Reinstatement Costs RM'000</b>	<b>Total RM'000</b>
At 1 January 2012	102	72	174
Arose during the financial year	43	-	43
Exchange differences	-	3	3
At 31 December 2012	145	75	220
At 1 January 2011			
Current	284	-	284
Non-current	-	72	72
	284	72	356
At 31 December 2011			
Current	102	-	102
Non-current	-	72	72
	102	72	174
At 31 December 2012			
Current	145	-	145
Non-current	-	75	75
	145	75	220

#### Maintenance warranties

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

#### Reinstatement costs

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

## 21. Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 days to 60 days (31 December 2011: 30 days to 60 days; 1 January 2011: 30 days to 60 days).

The classification of financial liabilities is as follows:

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	<b>4,306</b>	2,295	2,849	<b>66</b>	1	-
Other payables and accruals (Note 22)	<b>1,247</b>	981	1,102	<b>87</b>	86	129
Amount owing to a subsidiary (Note 14)	-	-	-	<b>351</b>	359	361
Total financial liabilities carried at amortised cost	<b>5,553</b>	3,276	3,951	<b>504</b>	446	490

## 22. Other payables and accruals

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other payables	<b>152</b>	66	210	-	-	1
Accruals	<b>1,095</b>	915	892	<b>87</b>	86	128
	<b>1,247</b>	981	1,102	<b>87</b>	86	129

Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (31 December 2011: 30 days to 60 days; 1 January 2011: 30 days to 60 days).

## 23. Revenue

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

## Notes to the Financial Statements (cont'd)

### 24. Operating profit

Operating profit has been arrived at after charging:-

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
After charging:				
Allowances for inventories obsolescence	24	76	-	1
Audit fee				
- current year	100	76	28	20
- prior year	-	9	-	9
Bad debts written off	2	-	-	-
Depreciation of property, plant and equipment	650	605	52	63
Directors' remunerations:-				
- fees	75	60	75	60
- salaries, allowances and bonuses	1,036	1,517	-	-
- contribution to defined contribution plans	59	50	-	-
Loss on foreign exchange				
- realised	94	29	68	-
- unrealised	17	4	-	-
Property, plant and equipment written off	14	7	-	-
Rental of offices	1,128	1,096	23	21
Rental of staff accomodation	36	38	-	-
Staff costs				
- salaries, wages, allowances and bonuses	17,147	15,451	2,092	1,430
- contribution to defined contribution plans	2,329	2,009	225	143
- expenses related to defined benefit plan	25	10	-	-
- Socso	36	33	15	9
And crediting:-				
Dividend income from subsidiary	-	-	7,007	4,860
Gain on disposal of property, plant and equipment	210	13	-	-
Interest income from				
- loan and receivables	394	579	465	630
- available-for-sale financial asset	174	173	-	-
Gain on foreign exchange				
- realised	2	2	-	2
- unrealised	-	2	-	-
Rental income from investment properties	115	109	-	-
Reversal of write down of inventories	2	7	-	7

Included in interest income from loan and receivables of the Company is interest of RM152,095/- (2011: RM158,305/-) from amount owing by a subsidiary.

**25. Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bank guarantee commissions	<b>18</b>	25	<b>5</b>	7

**26. Taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax expense				
- current year	<b>(3,019)</b>	(1,865)	<b>(71)</b>	(115)
- prior years	<b>20</b>	(80)	-	-
	<b>(2,999)</b>	(1,945)	<b>(71)</b>	(115)
Deferred income tax (Note 9)				
- current year	<b>36</b>	13	-	-
- prior years	-	133	-	-
	<b>36</b>	146	-	-
	<b>(2,963)</b>	(1,799)	<b>(71)</b>	(115)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiary of the Group was 17% for the financial year of assessment 2012 (2011: 17%).

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

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

## Notes to the Financial Statements (cont'd)

### 26. Taxation (continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax	18,194	10,180	7,746	4,831
Tax at applicable tax rate of 25% (2011: 25%)	(4,549)	(2,545)	(1,937)	(1,208)
Tax effects arising from				
- non-deductible expenses	(69)	(44)	-	(15)
- non-taxable income	84	53	1,796	1,258
- different tax rate in other countries	1,355	787	-	-
- deferred tax assets not recognised in the financial statements	70	(150)	70	(150)
- tax exemption	64	63	-	-
- other items	61	(16)	-	-
- overaccrual in prior years	21	53	-	-
Tax expense for the financial year	(2,963)	(1,799)	(71)	(115)

### 27. Earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to owners of the parent for the financial year of RM15,376,000/- (31 December 2011: RM8,507,000/-; 1 January 2011: RM9,322,000/-) by the weighted average number of ordinary shares in issue of 243,406,600 (31 December 2011: 243,606,328; 1 January 2011: 246,980,734).

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

### 28. Dividends

	Group and Company	
	2012 RM'000	2011 RM'000
Dividends paid		
First and final tax exempt dividend of 20% and a special tax exempt dividend of 10% per share	-	7,308
First and final tax exempt dividend of 20% and a special tax exempt dividend of 5% per share	6,085	-

At the forthcoming Annual General Meeting, a first and final tax exempt dividend of 20% and a special tax exempt dividend of 10% per share in respect of the financial year ended 31 December 2012 will be proposed for shareholders' approval.

## 29. Operating leases commitments

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

	<b>Group</b>		
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	<b>1,117</b>	629	1,053
Later than one year but not later than five years	<b>651</b>	-	614
	<b>1,768</b>	629	1,667

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

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

## 30. Contingent liabilities

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

	<b>Group</b>			<b>Company</b>		
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>01.01.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Unsecured</b>						
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries	-	-	-	<b>6,756</b>	6,630	6,510
Performance bonds granted to customers	<b>9,144</b>	5,415	7,516	<b>185</b>	138	1,125
	<b>9,144</b>	5,415	7,516	<b>6,941</b>	6,768	7,635

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



## Notes to the Financial Statements (cont'd)

### 31. Significant related party transactions

#### (a) Identification of Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationships with its subsidiaries.

Related Parties	Nature of Relationship
New Advent Sdn. Bhd. ("NASB")	NASB is the immediate holding company and a wholly-owned subsidiary of Dindings Consolidated Sdn. Bhd. ("DCSB").  Khor Chai Moi ("KCM") and Wong Ah Chiew ("WAC"), directors and major shareholders of the Company, have indirect interest in NASB.
DCSB and its subsidiaries ("DCSB Group")	DCSB is the ultimate holding company and major shareholder of the Company.  KCM and WAC are directors and major shareholders of DCSB.  Land Management Sdn. Bhd. ("LMSB") is a major shareholder of DCSB. Ong Leong Huat @ Wong Joo Hwa ("OLH") is the spouse of KCM and brother of WAC. OLH, KCM and their children are major shareholders of LMSB.
PJ Development Holdings Berhad ("PJD") and its subsidiaries ("PJD Group")	DCSB, WAC and KCM are major shareholders of PJD. WAC, KCM, Wong Chong Shee ("WCS") and Ong Ju Xing ("OJX") are also directors of PJD. WCS and OJX are deemed connected persons as WCS is the brother of WAC and brother-in-law of KCM. OJX is the nephew of WAC, WCS and son of KCM.
OSK Holdings Berhad ("OSK") and its subsidiaries ("OSK Group")	OLH, a director and major shareholder of OSK, is the spouse of KCM and brother of WAC. Wong Chong Kim, a director of OSK is the brother of OLH and WAC.

**(b) Significant Related Party Transactions**

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

	<b>Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Sale of products to subsidiaries	<b>2,578</b>	1,200
Interest income from a subsidiary	<b>152</b>	158
Technical advisory fees charged to subsidiaries	<b>750</b>	721
Purchase of products from a subsidiary	<b>725</b>	675
Payment of expenses on behalf of subsidiaries	<b>2,353</b>	2,605

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

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Income</b>				
Revenue from				
- PJD Group	<b>30</b>	360	-	-
- OSK Group	<b>37</b>	76	-	-
Rental income from				
- PJD Group	<b>84</b>	82	-	-
<b>Expenses</b>				
Insurance paid/payable to the DCSB Group	<b>69</b>	37	<b>12</b>	8

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and at terms mutually agreed between the parties.

## Notes to the Financial Statements (cont'd)

### 31. Significant related party transactions (continued)

#### (c) Compensation of Key Management Personnel

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Directors</b>				
Salaries, bonuses and allowances	<b>1,036</b>	1,517	<b>422</b>	409
Fees	<b>75</b>	60	<b>75</b>	60
Contribution to defined contribution plans	<b>59</b>	50	<b>23</b>	23
	<b>1,170</b>	1,627	<b>520</b>	492
<b>Other Key Management Personnel</b>				
Salaries, bonuses and allowances	<b>2,142</b>	2,156	<b>451</b>	434
Contribution to defined contribution plans	<b>204</b>	183	<b>54</b>	48
	<b>2,346</b>	2,339	<b>505</b>	482
	<b>3,516</b>	3,966	<b>1,025</b>	974

## 32. Operating segments

### General Information

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

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

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

Indonesia : trading, hardware and software consulting services.

### Measurement of Reportable Segments

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

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

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

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

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

### Geographical Information

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

### Major Customers

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

## Notes to the Financial Statements (cont'd)

### 32. Operating segments (continued)

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

2011	Malaysia RM'000	Singapore RM'000	Europe RM'000	Indonesia RM'000	Inter-Segment Elimination RM'000	Total RM'000
<b>Revenue:</b>						
External customers	9,662	42,458	-	40	-	52,160
Inter-segment	2,207	693	-	-	(2,900)	-
Total revenue	11,869	43,151	-	40	(2,900)	52,160
<b>Results:</b>						
Interest income	859	32	-	19	(158)	752
Interest expense	158	-	-	-	(158)	-
Depreciation	287	307	-	11	-	605
Income tax expense	172	1,666	-	-	-	1,838
Income tax income	-	-	-	39	-	39
Other non-cash expenses	102	-	-	-	-	102
Segment profit/(loss)	5,061	10,269	-	(290)	(4,860)	10,180
<b>Assets:</b>						
Additions to non-current assets other than financial instruments and deferred tax assets	289	85	-	7	-	381
Segment assets	54,892	35,664	-	354	(22,864)	68,046
<b>Segment liabilities</b>	8,382	2,313	-	15	(6,614)	4,096
<b>Geographical information:</b>						
Revenue from sales to external customers by location of customers	8,940	42,458	647	115	-	52,160
Non-current assets	5,863	900	-	73	-	6,836
<b>Major customers</b>	-	12,847	-	-	-	12,847

## Notes to the Financial Statements (cont'd)

### 33. Fair value of financial instruments

#### Determination of fair value

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

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

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

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

#### Investment securities - debt securities

The fair value of financial asset is determined by reference to the market bid price at the reporting date.

It is measured under quoted prices in active market for identical asset which is classified under level 1 of the fair value hierarchy. There have been no changes on the method of measuring fair value during the financial year.

### 34. Financial risk management objectives and policies

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

#### (i) Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade receivables and investment securities. The Company's exposure to credit risk arises principally from loan and advances to a subsidiary and financial guarantees given.

#### Trade receivables

##### Risk management objective, policies and processes for managing the risk

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

##### Exposure to credit risk

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

##### Credit risk concentration profile

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

	31.12.2012		Group 31.12.2011		01.01.2011	
	RM'000	% of total	RM'000	% of total	RM'000	% of total
<b>By country:</b>						
Malaysia	1,640	11.2%	1,423	16.3%	1,011	16.0%
Singapore	11,994	81.8%	6,928	79.5%	4,836	76.5%
Europe	929	6.3%	314	3.6%	89	1.4%
Others	93	0.6%	51	0.6%	387	6.1%
	<b>14,656</b>	<b>100.0%</b>	<b>8,716</b>	<b>100.0%</b>	<b>6,323</b>	<b>100.0%</b>



## Notes to the Financial Statements (cont'd)

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### 34. Financial risk management objectives and policies (continued)

#### (i) Credit Risk (continued)

##### Financial assets that are neither past due nor impaired

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

##### Financial assets that are past due but not impaired

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

#### **Investment securities**

##### Risk management objective, policies and processes for managing the risk

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

##### Exposure to credit risk

At the reporting date, the Group has only invested in domestic securities. The Group's maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

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

#### **Inter company balances**

##### Risk management objective, policies and processes for managing the risk

The Company provides unsecured loans and advances to a subsidiary that bears interest rate at 2.3% (2011: 2.3%) per annum on a monthly basis. The Company monitors the results of the subsidiary regularly.

##### Exposure to credit risk

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

##### Impairment losses

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

#### **Financial guarantees**

##### Risk management objective, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the performance of the subsidiaries to meet the expectation of their customers in accordance with the original terms of a contract in due course.

##### Exposure to credit risk

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

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

**(ii) Liquidity Risk**

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

Risk management objective, policies and processes for managing the risk

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

**Maturity analysis**

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

	<b>Group</b>			<b>Company</b>		
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>01.01.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On demand or within 1 year</b>						
Trade payables	<b>4,306</b>	2,295	2,849	<b>66</b>	1	-
Other payables and accruals	<b>1,247</b>	981	1,102	<b>87</b>	86	129
Amount owing to a subsidiary	-	-	-	<b>351</b>	359	361
<b>Total undiscounted financial liabilities</b>	<b>5,553</b>	3,276	3,951	<b>504</b>	446	490

**(iii) Market Risk**

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

**Interest Rate Risk**

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

Risk management objective, policies and processes for managing the risk

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

Exposure to interest rate risk

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

## Notes to the Financial Statements (cont'd)

### 34. Financial risk management objectives and policies (continued)

#### (iii) Market Risk (continued)

##### Interest Rate Risk (continued)

##### Exposure to interest rate risk (continued)

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

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>						
Financial assets	<b>18,573</b>	15,331	22,584	<b>18,589</b>	22,139	25,677
<b>Floating rate instrument</b>						
Financial asset	<b>3,025</b>	9,216	-	<b>3,025</b>	-	-

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 therefore a change in interest rates at the reporting date would not affect the profit or loss.

##### Sensitivity analysis for floating rate instrument

A 1% increase in interest rate at the end of the reporting period would have increased the Group's profit net of tax by RM1,000/-. A 1% decrease in interest rate would have had equal but opposite effect on the Group's profit net of tax.

##### Foreign Currency Risk

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

##### Risk management objective, policies and processes for managing the risk

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

##### Exposure to foreign currency risk

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

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

	<b>Group</b>			<b>Company</b>		
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>01.01.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>01.01.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial assets and liabilities not held in functional currency						
<b><u>Trade receivables</u></b>						
Euro	<b>929</b>	314	89	<b>841</b>	-	-
United States Dollar	<b>93</b>	51	370	<b>52</b>	-	-
	<b>1,022</b>	365	459	<b>893</b>	-	-
<b><u>Cash and bank balances</u></b>						
Euro	-	2,870	2,616	-	2,659	2,004
Singapore Dollar	<b>6,902</b>	1,084	-	<b>6,902</b>	1,084	-
United States Dollar	-	209	628	-	-	-
	<b>6,902</b>	4,163	3,244	<b>6,902</b>	3,743	2,004
<b><u>Trade payables</u></b>						
British Pound	<b>14</b>	14	108	-	-	-
Canadian Dollar	<b>34</b>	13	20	-	-	-
Euro	<b>11</b>	12	71	-	-	-
United States Dollar	<b>251</b>	18	6	-	-	-
	<b>310</b>	57	205	-	-	-

## Notes to the Financial Statements (cont'd)

### 34. Financial risk management objectives and policies (continued)

#### (iii) Market Risk (continued)

##### Foreign Currency Risk (continued)

##### Sensitivity analysis for foreign currency risk

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

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

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Profit net of tax			Profit net of tax		
Euro/RM	9	32	26	8	27	20
SGD/RM	69	11	-	69	11	-
USD/RM	2	1	8	1	-	-
USD/SGD	3	2	2	-	-	-

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

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

#### (iv) Market Price Risk

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

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

### 35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure by monitoring the capital and net debt, if any on an ongoing basis. To maintain the capital structure, the group may adjust the dividend payment to shareholders.

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

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

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**36. Significant events during the financial year**

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

- (a) On 8 March 2012, the name of a subsidiary of the Company, GB Tech Sdn. Bhd. had been changed to Willowglen Technology Sdn. Bhd..
- (b) On 29 October 2012, the wholly owned subsidiary, Willowglen Services Pte. Ltd. has increased its issued and fully paid up share capital from SGD1,500,002/- to SGD2,000,002/- by the allotment of 500,000 ordinary shares of SGD1.00 each at par for cash.

**37. Significant event subsequent to the financial year**

On 1 January 2013, Willowglen Technology Sdn. Bhd. has commenced its business operations.

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

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

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

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained earnings of the Group and of the Company as at 31 December 2012 are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings				
- Realised	<b>48,385</b>	39,300	<b>12,971</b>	11,381
- Unrealised	<b>365</b>	136	<b>2</b>	2
	<b>48,750</b>	39,436	<b>12,973</b>	11,383
Less : Consolidation adjustments	<b>(85)</b>	(62)	-	-
Total retained earnings as per statements of financial position	<b>48,665</b>	39,374	<b>12,973</b>	11,383

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

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

## Statement by Directors

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We, **KHOR CHAI MOI** and **WONG AH CHIEW** being two of the directors of Willowglen MSC Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 47 to 111 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 112 to the financial statements have been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

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KHOR CHAI MOI  
Director

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WONG AH CHIEW  
Director

Kuala Lumpur  
Date: 18 March 2013



## Statutory Declaration

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I, **CHEW NYUK SEONG**, being the officer primarily responsible for the financial management of Willowglen MSC Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 111, and the supplementary information set out on page 112 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.

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CHEW NYUK SEONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 18 March 2013.

Before me,

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Commissioner for Oaths

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

(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Willowglen MSC Berhad, which comprise the statements of financial position as at 31 December 2012 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 a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 111.

### *Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on Other Legal and Regulatory Requirements

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

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

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

(Incorporated in Malaysia)

### Report on Other Legal and Regulatory Requirements (continued)

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

### Other Reporting Responsibilities

The supplementary information set out in page 112 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matters

1. As stated in Note 2 to the financial statements, Willowglen MSC Berhad adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants

M.J. Monteiro  
No. 828/05/14 (J/PH)  
Chartered Accountant

Kuala Lumpur  
Date: 18 March 2013

## Additional Compliance Information

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### 1. Utilisation of Proceeds Raised From Corporate Proposals

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

### 2. Share Buy-Back

During the financial year, the Company did not buy back any shares. As at 31 December 2012, a total of 4,593,400 ordinary shares of RM0.10 each are held as treasury shares by the Company.

### 3. Options, Warrants or Convertible Securities

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

### 4. Depository Receipt Programme

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

### 5. Sanctions and/or Penalties

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

### 6. Variation in Results

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

There was no variance between the results for the financial year ended 31 December 2012 as per the audited financial statements and the unaudited results previously announced.

### 7. Profit Guarantee

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

### 8. Material Contracts

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

### 9. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group during the financial year by companies affiliated to the auditors is RM22,239.

### 10. Recurrent Related Party Transactions ("RRPTs") of a Trading or Revenue Nature

Further details of RRPTs of the Group conducted during the financial year ended 31 December 2012 are set out in the Notes to the Audited Financial Statements.

## Properties

As at 31 December 2012

Description of Property	Existing Use	Age of Building (Years)	Land Area	Tenure	Date of Acquisition	Net Book Value/ Fair Value as at 31 December 2012 (RM)
<b>Willowglen (Malaysia) Sdn. Bhd.</b>						
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	Shop office on 2 years lease/renewable office premise	20	246 sq.m.	93-years leasehold expiring on 19.02.2083	01.06.1999	2,000,000 (revalued on 30 December 2010)
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	20	490 sq.m.	93-years leasehold expiring on 19.02.2083	30.04.2007	2,768,430

## Shareholdings Statistics

As at 8 April 2013

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

### Breakdown of Shareholdings

No. of Holders	Holdings	Total Holdings %
13	Less than 100	0.00
534	100-1,000	0.18
949	1,001-10,000	2.24
592	10,001-100,000	8.76
112	100,001 – 12,170,329 *	23.44
2	12,170,330 and above **	65.37
2,202	Total	100.00

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

### Substantial Shareholders

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

Substantial Shareholders	Direct Interest	No of Shares Held		%
		%	Indirect Interest	
New Advent Sdn Bhd	126,900,237	52.14	-	-
Dindings Consolidated Sdn Bhd	-	-	126,900,237*	52.14
OSK Capital Partners Sdn Bhd	32,219,837	13.24	-	-
OSK Ventures International Berhad	-	-	42,519,837^	17.47
Ong Leong Huat @ Wong Joo Hwa	-	-	42,724,337∞	17.55
Khor Chai Moi	1,786,600	0.73	127,254,737□	52.28
Wong Ah Chiew	1,500,000	0.62	128,336,537°	52.73

Notes :

- \* Deemed interested through New Advent Sdn Bhd
- ^ Deemed interested through OSK Venture Equities Sdn Bhd and OSK Capital Partners Sdn Bhd
- ∞ Deemed interested through OSK Ventures International Berhad and Land Management Sdn Bhd
- Deemed interested through her interest in Land Management Sdn Bhd, Dindings Consolidated Sdn Bhd and her children
- ° Deemed interested through his interest in Dindings Consolidated Sdn Bhd, Elegant Preference Sdn Bhd and Jian Qi Holdings Sdn Bhd, his spouse and son

## Shareholdings Statistics (cont'd)

As at 8 April 2013

### Directors' Shareholdings

Name of Directors	Direct Interest	No of Shares Held		%
		%	Indirect Interest	
Khor Chai Moi	1,786,600	0.73	127,254,737*	52.28
Wong Ah Chiew	1,500,000	0.62	128,336,537#	52.73

\* Deemed interested through her interest in Land Management Sdn Bhd, Dindings Consolidated Sdn Bhd and her children

# Deemed interested through his interest in Dindings Consolidated Sdn Bhd, Elegant Preference Sdn Bhd and Jian Qi Holdings Sdn Bhd, his spouse and son

Other than the above, none of the other directors in office has any interest in shares in the Company as at 8 April 2013.

### Thirty Largest Registered Shareholders as at 8 April 2013

No.	Name of Shareholders	No. of Shares	%
1	New Advent Sdn Bhd	126,900,237	52.14
2	OSK Capital Partners Sdn Bhd	32,219,837	13.24
3	OSK Venture Equities Sdn Bhd	10,300,000	4.23
4	Aco-Bina Sdn Bhd	5,474,300	2.25
5	UOB Kay Hian Nominees (Asing) Sdn Bhd	2,638,493	1.08
	Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)		
6	Malta Corp. Sdn. Bhd.	2,500,000	1.03
7	Alliancegroup Nominees (Tempatan) Sdn Bhd	2,315,000	0.95
	Pledged Securities Account for Teh Boon Wee (8061725)		
8	Au Yiu Joo	2,309,700	0.95
9	Khor Chai Moi	1,786,600	0.73
10	Wong Ah Chiew	1,500,000	0.62
11	Lee Kok Hoong	1,290,000	0.53
12	Chan Yan Ping	1,086,600	0.45
13	HLIB Nominees (Tempatan) Sdn Bhd	909,800	0.37
	Hong Leong Bank Bhd for Leong Kong Foo		
14	Chang Tan Chio	800,658	0.33
15	Chew Pick Hon	781,300	0.32
16	Lim Kee Siku	706,800	0.29
17	HLIB Nominees (Tempatan) Sdn Bhd	697,100	0.29
	Pledged Securities Account for Yee Kim Ee (CCTS)		
18	Wong Chu Khee	654,200	0.27
19	Ng Soon Gan	635,000	0.26
20	Tee Bon Peng	601,800	0.25
21	Chong Kim Poh	549,000	0.23
22	Diong King Ewu	500,079	0.21
23	Leong Keng Yuen	500,000	0.21
24	Maybank Nominees (Tempatan) Sdn Bhd	500,000	0.21
	Lee Sook Yeen		
25	Teh Boon Wee	462,100	0.19
26	Jian Qi Holdings Sdn Bhd	409,000	0.17
27	Peh Teong Kee	383,700	0.16
28	Neo Boon Siong	370,000	0.15
29	Tan Eng Huat	367,300	0.15
30	Cheong Swee Peng	343,400	0.14

## Form of Proxy

No. of Shares Held

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

\_\_\_\_\_

\*NRIC No./Passport No. \_\_\_\_\_  
of \_\_\_\_\_  
\*and, or \_\_\_\_\_  
\*NRIC No./Passport No. \_\_\_\_\_  
of \_\_\_\_\_

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy, to vote for \*me/us on \*my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at the Grand Lotus, Level 2, Swiss-Garden Residences, 117 Jalan Pudu, 55100 Kuala Lumpur on Wednesday, 29 May 2013 at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	Declaration of a final dividend of 20% tax-exempt and special dividend of 10% tax-exempt		
2.	Re-election of Khor Chai Moi as Director		
3.	Re-election of Alfian Bin Tan Sri Mohamed Basir as Director		
4.	Approval of Directors' Fees		
5.	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration		
6.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		
7.	Re-appointment of Wang Shi Tsang as Independent Non-Executive Director		
8.	Re-appointment of Alfian Bin Tan Sri Mohamed Basir as Independent Non-Executive Director		
9.	Proposed Amendments to the Articles of Association 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.)

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

First Proxy \_\_\_\_\_ %  
Second Proxy \_\_\_\_\_ %  
Total \_\_\_\_\_ 100%

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
\*Signature / Common Seal of Shareholder

\*Delete if not appropriate

### Notes:

- In respect of deposited securities, only a depositor whose name appears on the Record of Depositors as at 22 May 2013 ("General Meeting Record of Depositors") shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
- A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. When a member appoints two or more proxies, 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.
- The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 17th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur 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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The Secretary

**Willowglen MSC Berhad** (Company No. 462648-V)

17th Floor, Plaza OSK

Jalan Ampang

50450 Kuala Lumpur

Malaysia

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## Questions from Shareholders

The Annual General Meeting ("AGM") of Willowglen MSC Berhad will be held on Wednesday, 29 May 2013 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, 17 May 2013.** Please return the form to our registered office, 17th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur or by facsimile to 03-21617782.

Shareholder's Name

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CDS Account No.

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Question/s

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

1. 

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2. 

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3. 

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The Secretary  
**Willowglen MSC Berhad** (Company No. 462648-V)  
17th Floor, Plaza OSK  
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Malaysia

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