



KRONOLOGI ASIA BERHAD

(Company No: 1067697-K)



ANNUAL REPORT
2017

***Delivering enterprise class data
protection and management
for business continuity***



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Wee Seng Gerard

Independent Non-Executive
Chairman

Tan Jeck Min

Executive Director

Kok Cheang-Hung

Independent Non-Executive
Director

Teo Chong Meng Philip Dominic

Executive Director/
Acting Group Chief Executive Officer/
Chief Technology Officer

John Chin Shoo Ted

Senior Independent
Non-Executive Director

AUDIT COMMITTEE

Kok Cheang-Hung
Chairman
Tan Wee Seng Gerard
John Chin Shoo Ted

NOMINATION COMMITTEE

John Chin Shoo Ted
Chairman
Tan Wee Seng Gerard
Kok Cheang-Hung

REMUNERATION COMMITTEE

John Chin Shoo Ted
Chairman
Tan Wee Seng Gerard
Kok Cheang-Hung

SHARE GRANT PLAN COMMITTEE

Tan Jeck Min
Chairman
Tan Wee Seng Gerard
Yee Chin Fui

COMPANY SECRETARY

Tea Sor Hua
(MACS 01324)

REGISTERED OFFICE

Third Floor, No. 79 (Room A)
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7725 1777
Fax : 603 7722 3668

BUSINESS OFFICE

Level 28-D, Axiata Tower
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : 603 2773 5700
Fax : 603 2773 5710

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn. Bhd.
Unit 32-01, Level 32 Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03 2783 9299
Fax : 03 2783 9222

AUDITORS

Grant Thornton Malaysia (AF: 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Tel : 03 2692 4022
Fax : 03 2721 2588

PRINCIPAL BANKER OF THE GROUP

Standard Chartered Bank

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad
Stock Code : 0176
Stock Name : KRONO

CORPORATE PROFILE

KRONOLOGI ASIA BERHAD (“KAB” or “the Company”) is a regional enterprise data management (“EDM”) solutions provider listed on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (0176/KRONO).

KAB and its subsidiaries (“the Group”) specialises in data assurance and protection to ensure business continuity for our clients. Our portfolio of products and services provide our clients with the ability to achieve data assurance and protection through the systematic backup, storage and recovery of enterprise data to ensure business continuity. Our products and services include:

- i) On-site data backup and storage;
- ii) Off-site backup and storage for long term archival;
- iii) Data recovery and restoration;
- iv) Problem escalation and resolution in the event of issues or errors during the backup process;
- v) 365 days, 24 hours a day, 7 days a week technical support; and
- vi) Consultancy on process improvement for data assurance, data protection and disaster recovery.

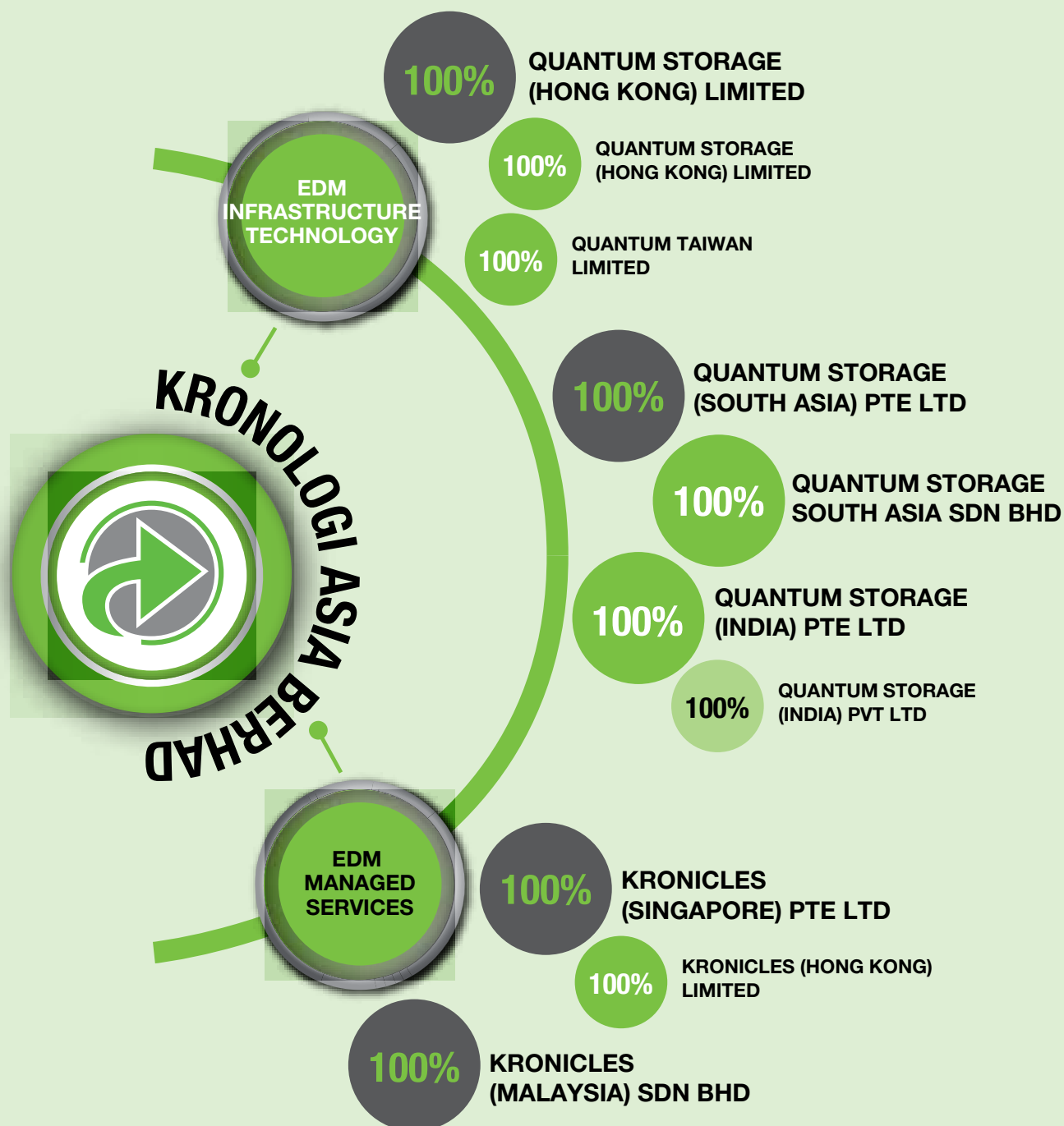
The above-mentioned are delivered via the Group’s EDM Infrastructure Technology and EDM Managed Services divisions.

Currently, the Group has presence in Malaysia, Singapore, Thailand, Philippines, Indonesia, India, Hong Kong, Taiwan and other markets. Besides improving our reach and positioning in the existing core markets that we currently operate in, the Group intends to also build its presence in countries such as Vietnam, Sri Lanka and Myanmar. This may involve the setting up of local sales offices as these countries are frontier information technology (“IT”) markets.



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CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to report that Kronologi Asia Berhad ("KAB" or the "Group") has pulled through yet another challenging year. Underpinned by our growth strategies, we delivered yet another strong year and would like to acknowledge the efforts of Team KAB for their commitment and perseverance to deliver the results.

On behalf of the Board of Directors and the management, it gives me great pleasure to present to you the Annual Report of KAB for the financial year ended 31 December 2017 ("FY2017").



TAN WEE SENG GERARD
Independent Non-Executive
Chairman

Chairman's Statement (cont'd)

GROUP PERFORMANCE

Despite the market and industry challenges in FY2017, the Group's recorded better revenue of RM144.370 million and profit before tax expense ("PBT") of RM12.979 million, an increase of 78% and 72% respectively from the previous financial year of RM81.282 million and RM7.546 million respectively. The increase in both revenue and PBT was as a result of full year consolidation of Quantum Storage (India) Pte Ltd, in which the Group acquired in financial year ended 31 December 2016. In addition, the acquisition of the entire issued and paid-up share capital of Quantum Storage (Hong Kong) Limited in the fourth quarter also contributed to both revenue and PBT.

The Group's operating segments contributed revenue of RM138.426 million from Enterprise Data Management ("EDM") Infrastructure Technology and RM5,943 million from EDM Managed Services. In terms of revenue contribution from EDM Infrastructure Technology, it was mainly derived geographically from Singapore at 44%.

As at 31 December 2017, the Group's financial position remained strong with total assets at RM196.496 million, an increase of 110% from the previous financial year of RM93.370 million, cash in hand of RM35.100 million and net gearing of 0.14 times. The Group's net asset per share was RM0.34 for the financial year under review.

A more detailed analysis of the Group's performance is available in the "Management's Discussion and Analysis" section in this Annual Report.

CORPORATE DEVELOPMENT

In October 2017, KAB announced that the Company embarked on a proposal to acquire the entire share capital of Quantum Storage (Hong Kong) Limited ("QHK") for a total consideration of RM45 million to be satisfied by a combination of cash and shares. The acquisition was completed in December 2017 and accordingly, QHK is now a wholly-owned subsidiary of KAB. Following the completion of the acquisition, QHK is expected to contribute positively to the Group's revenue and PBT.

PROSPECTS

KAB recognises that the Asia-Pacific region is one of the fastest-growing markets for cloud services and the Group expects to witness increasing demand for hybrid cloud storage and other data management applications.

In the age of rising connectivity, companies in the region, including small and medium-sized enterprises, increasingly recognise the importance of regulatory compliance and safekeeping of their digital assets.

Following the expansion to Hong Kong and Taiwan, the Group has potential to position itself to tap into the Greater China market. Going forward, the Group will focus on improving its sales mix, building on the EDM Managed Services segment, and targeting viable merger and acquisition opportunities with a view to expanding throughout the region and driving long-term value for shareholders.

The Group will recognise full year contributions of revenue and profit from QHK in the financial year ending 31 December 2018 ("FY2018") and barring unforeseen circumstances, the Group expects its FY2018 performance to surpass that of FY2017.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our shareholders for their support and belief in KAB, and our partners as well as customers for their continued confidence in the Group. Additionally, I extend our appreciation and gratitude to our bankers, sponsor, Bursa Malaysia, business associates and members of the media for their unwavering support to the continued success of the Group.

My gratitude also goes to my fellow Board members for their stewardship, counsel and insights in steering KAB through increasingly challenging landscape of the Group's businesses.

During the year, we regret to note resignations of Mr Lee Wai Cheong from the Board. Our utmost appreciation and gratitude to him.

We are also pleased to welcome our new member, Mr Kok Cheang-Hung as Independent Non-Executive Director, who joined the Board in November.

Going forward, I believe KAB is moving in the right direction and is well-positioned to aggressively pursue value accretive opportunities locally and internationally. We look forward to supporting Team KAB, which will continue to grow from strength to strength in the coming years.

5 (FIVE) YEAR FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013* RM'000 Pro forma
RESULTS					
Revenue	144,370	81,282	61,353	54,661	42,170
Profit before interest and tax expense	13,448	7,713	3,100	6,863	4,803
Interest expense	(469)	(167)	(225)	(351)	(82)
Profit before tax expense	12,979	7,546	2,875	6,512	4,721
Tax (expenses)/ income	(916)	(385)	175	(461)	843
Profit for the financial year / Attributable to the owners of the parent	12,063	7,162	3,050	6,051	5,564
ASSETS					
Property, plant and equipment	9,816	9,349	10,461	9,073	N/A
Goodwill on consolidation	62,358	26,384	-	-	N/A
Intangible assets	4,062	3,287	2,513	1,369	N/A
Investment in an associate	-	-	855	-	N/A
Other non-current assets	1,198	976	945	299	N/A
Current assets	119,062	53,374	55,857	36,899	N/A
Total Assets	196,496	93,370	70,631	47,640	N/A
EQUITY AND LIABILITIES					
Total shareholders' equity	109,898	45,578	34,656	27,983	N/A
Borrowings	15,738	3,864	5,552	3,135	N/A
Other non-current liabilities	4,166	10,988	1,177	1,154	N/A
Other current liabilities	66,694	32,940	29,246	15,368	N/A
Total Liabilities	86,598	47,792	35,975	19,657	N/A
Total Equity and Liabilities	196,496	93,370	70,631	47,640	N/A
FINANCIAL RATIOS					
Basic earnings per share # (sen)	4.36	2.59	1.10	2.18	2.01
Diluted earnings per share (sen)	4.10	2.79	N/A	N/A	N/A
Interest cover (times)	28.67	46.19	13.78	19.55	58.57
Net assets per share (RM)	0.34	0.18	0.15	0.12	N/A
Gearing ratio (%)	14.32%	8.48%	16.02%	11.20%	N/A
Return of average shareholders' equity (%)	15.52%	17.85%	9.74%	23.91%	N/A
Return of average capital employed (%)	17.30%	19.23%	9.90%	27.11%	N/A

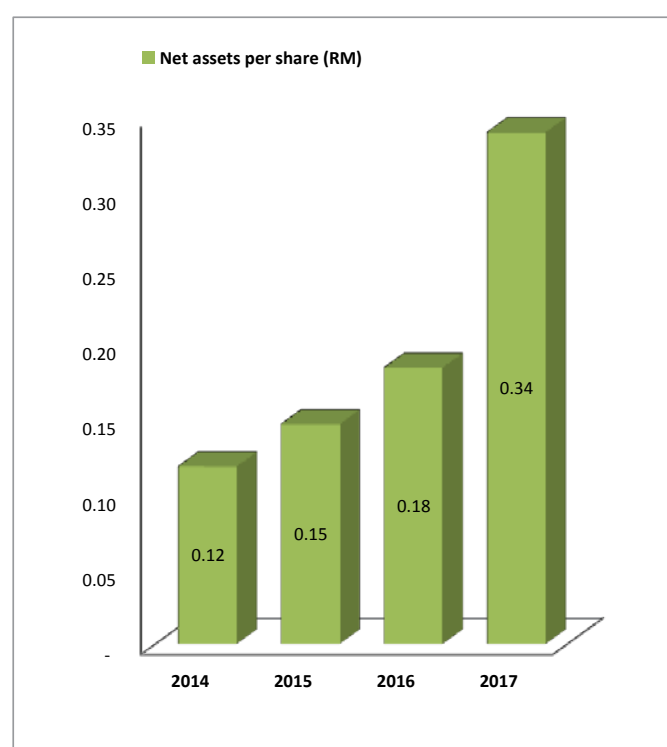
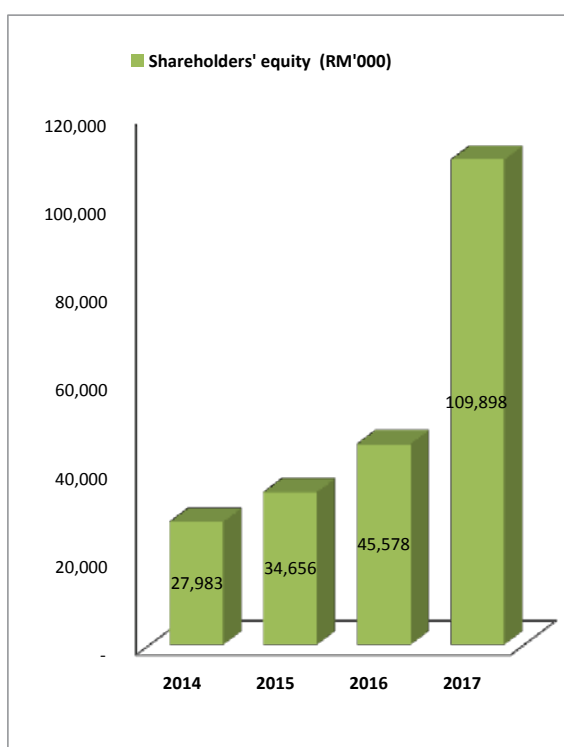
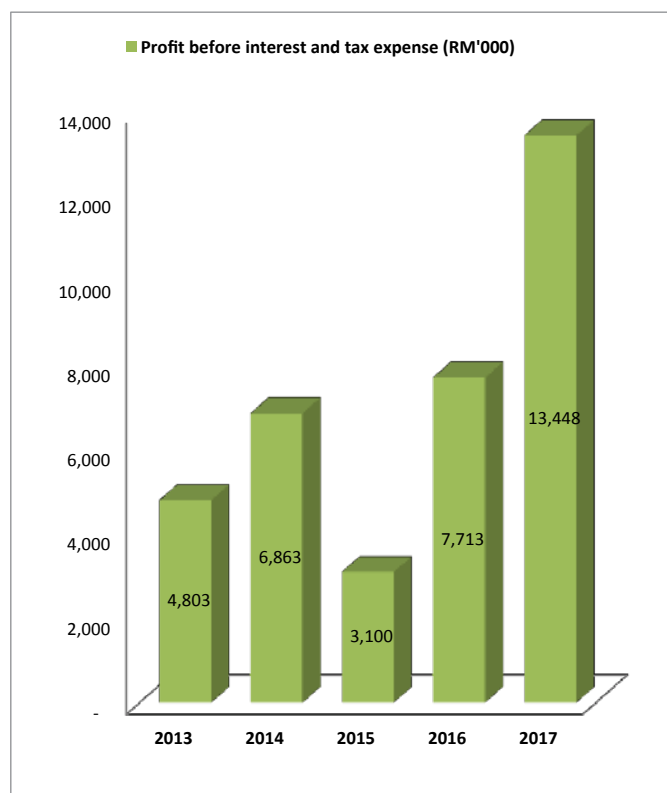
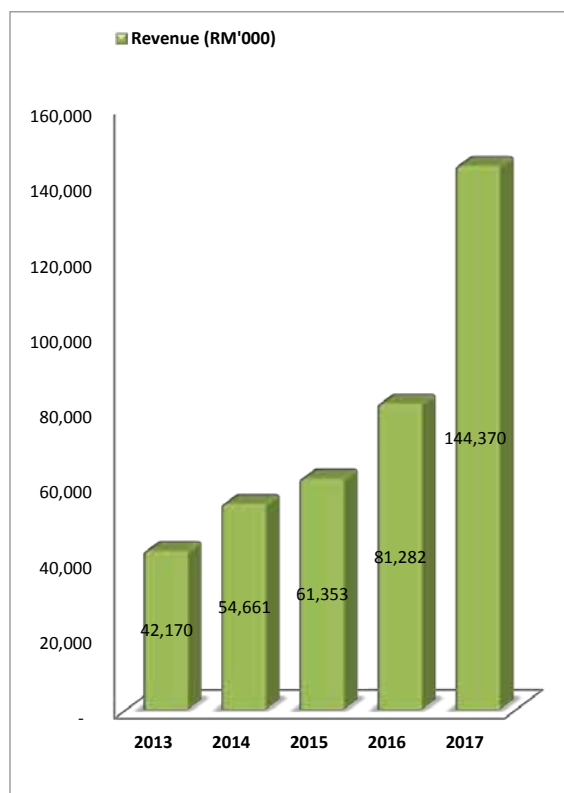
Notes

N/A = Not applicable

* The Group's financial performance and financial positions are prepared on the assumptions that the business combinations had taken place from the beginning of each year. This is to provide a meaningful comparison of the financial performance of the Group.

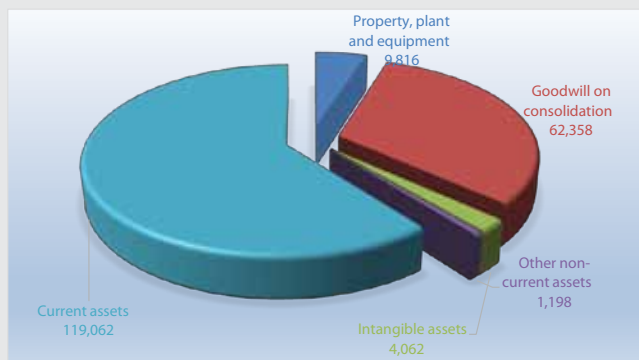
Basic earnings per share for FY2013, FY 2014, FY2015 and FY2016 were calculated by dividing net profit attributable to owners of the parent by the number of ordinary shares outstanding at the end of FY 2016 i.e 276,963,235 shares throughout each financial year. This is to provide a meaningful comparison of the financial performance of the Group.

5 (Five) Year Financial Highlights (cont'd)

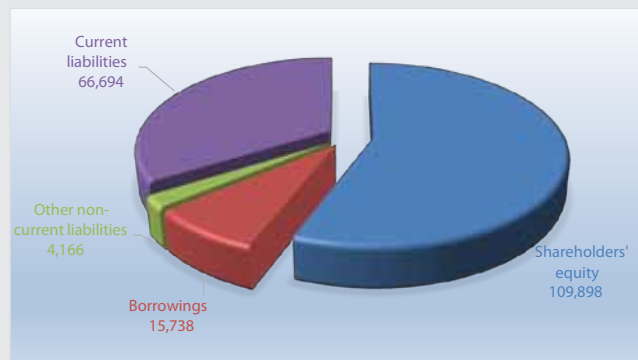


5 (Five) Year Financial Highlights (cont'd)

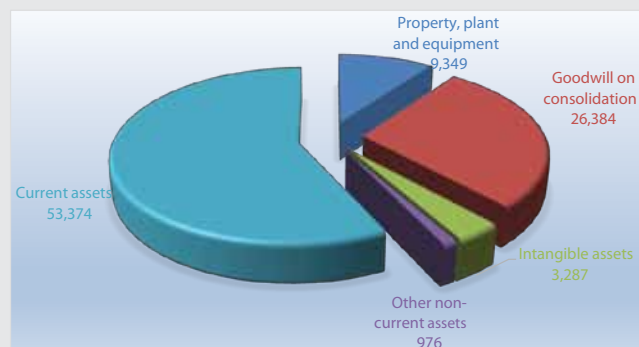
Total Assets 2017 (RM'000)



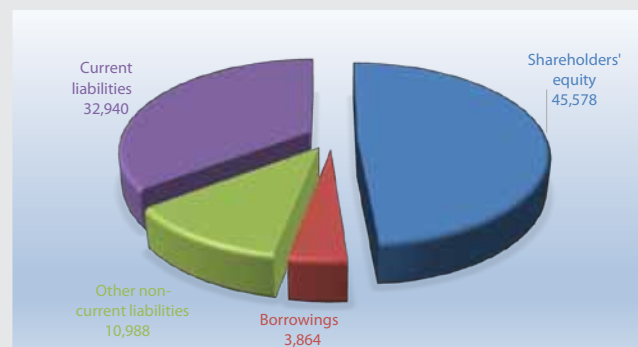
Total Equity and Liabilities 2017 (RM'000)



Total Assets 2016 (RM'000)



Total Equity and Liabilities 2016 (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

“The objective of the management’s discussion and analysis is to provide shareholders with an overview of the business operations of Kronologi Asia Berhad (“the Group”), financial review of 2017 and the Group’s business expectations for 2018”.

GROUP FINANCIAL REVIEW

Despite the challenging economic environment, the Group delivered record high revenue of RM144.370 million for the financial year ended 31 December 2017 (“FY2017”), which was 78% higher than the previous financial year ended 31 December 2016 (“FY2016”). The increase in revenue was mainly attributable to the enterprise data management (“EDM”) Infrastructure Technology segment where it registered an increase of RM61.498 million in revenue to RM138.426 million, which amounted to 96% of the Group’s total revenue. EDM Managed Services and other segments contributed to the remaining 4%.

The Group’s Profit before Tax (“PBT”) surged to RM12.979 million from RM7.546 million, an increase of 72% when compared with FY2016. The increase in PBT of RM5.433 million was derived mainly from the EDM Infrastructure Technology segment, contributed by enhanced performance of the country markets that the Group currently operates in as well as the full consolidation of financial results from the Group’s acquisition of Quantum Storage (India) Pte Ltd (“QSI acquisition”) in October 2016. Besides the full contribution from the QSI acquisition, the acquisition of Quantum Storage (Hong Kong) Limited (“QHK”), which was completed in December 2017, also contributed positively to the Group.

The Group’s recorded negative Operating Cash Flows of RM9.760 million for FY2017 against positive Operating Cash Flows of RM4.157 million for the preceding year. The negative cash flows were attributable to higher inventories during FY2017.

For FY2017, the Group invested a total of RM3.703 million, RM2.877 million for capital expenditure and RM0.826 million for research and development. The investment in QHK was satisfied via issuance of shares during FY2017.

The Group’s Shareholders Equity as of 31 December 2017 stood at RM109.898 million, an increase of RM64.320 million or 141% over the preceding year, mainly due to the issuance of share capital of RM56.292 million and increase in retained earnings of RM12.063 million and foreign currency loss on translation of foreign operations of RM4.035 million.



The Group’s Interest Cover was 28.7 times (FY2016: 46.2 times). The lower interest cover was due to management’s prudent allocation between debts and equity. The Group actively manages its debt maturity profile, operating cash flows and availability of funding to ensure all operating, investment and funding needs are met. The Group will continue to manage its capital funding requirements in a proactive manner to optimise gearing level vis-à-vis providing value to shareholders.

Management Discussion And Analysis (cont'd)

ANTICIPATED/KNOWN RISKS AND MITIGATING PLANS/STRATEGIES

The major operational risks that the Group is exposed to are stock obsolescence and credit default because inventories and trade debtors form the bulk of the total current assets net of cash.

With our stringent stock-control and credit-control policies already established for many years, the total amount of obsolete stocks and bad debts have been kept well within our general provision based on the ageing of stocks and debtors.

EDM INFRASTRUCTURE TECHNOLOGY

Operations review

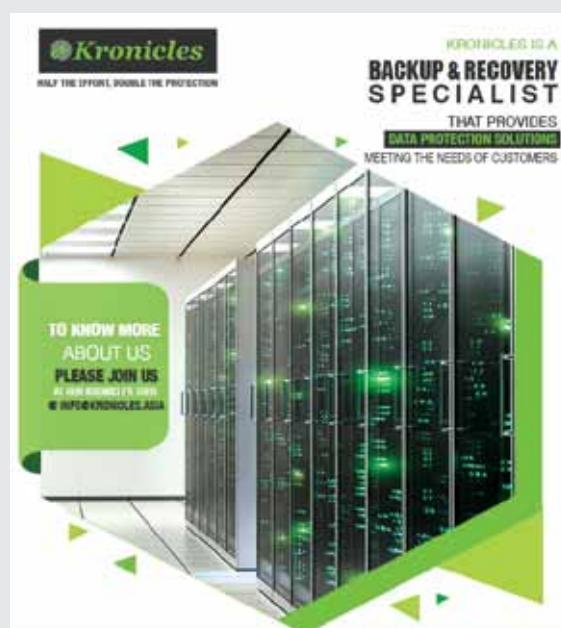
EDM Infrastructure Technology continues to be the key driver in both revenue and segmental operating profit for the Group. The Group registered 80% growth in revenue to RM138.426 million, and 76% growth in segmental PBT to RM14.005 million for the FY2017. The strong results were attributable to the full consolidation of QSI acquisition that was completed in 4th quarter 2016. By country markets, Singapore remained the single largest contributor to this segment at 48% of total revenue.

The higher PBT of RM14.005 million was mainly attributable to enhanced performance of the Group's operations in the respective countries and the full consolidation of QSI's financial results.

Future Prospects

Although the EDM Infrastructure Technology environment is expected to be challenging industry-wide (e.g. mismatch of skilled human resources for data management at a time when enterprise data is growing exponentially), we are confident of continuing to provide better products and solutions to differentiate ourself and provide innovative, value-adding solutions to our customers. The Group also expects the acquisition of QHK Group in the financial year to contribute positively to our results.

The Group will continue to leverage on its management team to drive growth both organically and inorganically via merger and acquisition opportunities.



EDM MANAGED SERVICES

The EDM Managed Services is a strategic part of the KAB Group and serves as an essential platform to generate better returns to shareholders through the provision of value-added managed services to customers. Together with EDM Infrastructure Technology, they provide a steady stream of revenue and profitability to the Group.

Operations review

Despite a challenging FY2017, the Group's EDM Managed Services registered revenue growth of 37% to RM5.943 million as compared with RM4.354 million in FY 2016. As a result of increase in revenue, PBT in this business segment grew by RM1.201 million from FY2016 to RM1.633 million.

Revenue for this business segment is derived from Singapore.

Management Discussion And Analysis (cont'd)

Future Prospects

The Group foresees that the EDM Managed Services segment will remain highly competitive, but opportunities such as increased demand for hybrid cloud storage and other data management applications are well suited for its range of managed service solutions. To capture this growing market, the Group plans to expand into other countries in the next 1 to 2 years.

Further to that, the announcement of the Group's EDM Managed Services partnership with Trusted Source Pte Ltd ("Trusted Source"), a subsidiary of Temasek Management Services ("TMS"), which is a member of Temasek Holdings, a global investment company headquartered in Singapore, the Group believes that the partnership will enhance the Group performance.

Dividend Policy

The Company has yet to establish any dividend policy. The Group is committed to ensure shareholders have fair and equitable return of investment while taking into consideration all other factor in striking a balance. However, taking into account the Group's performance as well as the Group's needs for future growth, the Board is not recommending any dividend for FY2017.

STRATEGIC FOCUS

Our strategies enable us to deliver growth today, while ensuring we generate sufficient cash flow to invest in our future. The foundation upon which our strategies are built has been in place and we will continue to focus our activities in areas such as growth, services, productivity and creating a winning organisation.

Growth

The Group will strive to develop its brand awareness, innovation and new products via research and development to meet customers' ever changing needs.

Services

The Group will strive to provide timely and professional services to its customers with up skilling training and workshops conducted either in-house or through third parties.

Productivity

The Group will endeavour to effectively deploy its resources to produce better results and increase in profits.

Winning organisation

The Group will make every effort to attract and retain competent staff, promote teamwork and create a conducive working environment.

BOARD OF DIRECTORS

Mr. Tan Wee Seng Gerard, a Singaporean, aged 64, was appointed to the Board on 5 June 2014 as Senior Independent Non-Executive Director and subsequently designated as Independent Non-Executive Chairman on 19 October 2015. He is a member of the Audit, Nomination and Remuneration Committees.

Mr. Tan retired as a partner of PricewaterhouseCoopers LLP, Singapore in 2012 after 34 years with the firm. He is an Independent Director of Teckwah Industrial Corporation Limited and a Director of Singapore Deposit Insurance Corporation Limited and Singapore Institute of Directors. He currently also serves on the boards/committees of several not-for-profit organisations. In 2005, he was awarded the Public Service Medal (PBM) for his work in the charity sector.

Mr. Tan has a Bachelor of Accountancy (Hons) from the University of Singapore. He is also a Chartered Accountant of the Institute of Chartered Accountants (England & Wales) and a Fellow of the Institute of Singapore Chartered Accountants.



**TAN WEE SENG
GERARD**

Independent Non-Executive
Chairman
Gender : Male

Mr. Teo Chong Meng Philip Dominic, a Singaporean, aged 51, is our Executive Director/ Acting Group Chief Executive Officer/Chief Technology Officer and was appointed to the Board on 5 June 2014. He was appointed Acting Group Chief Executive Officer on 19 October 2015. A pioneer employee with Quantum Storage (South Asia) Pte. Ltd., he also leads and manages the overall technology development as well as oversees the sales, marketing and technical operations of our Group.

With over 20 years of experience in data storage solutions, software programming and network architecture, he has worked with customers across the globe. During his tenure in the Group, he has been instrumental in developing our Group's presence in the ASEAN countries and had established sales and technical support offices across several countries in ASEAN including Malaysia, Indonesia and Thailand. Mr. Teo has no other public company or public listed company directorship.

Mr. Teo graduated with a Bachelor of Science in Computer Science from University of San Francisco, California, United States in 1987 and he holds a Graduate Diploma in Business Administration from Singapore Institute of Management.



**TEO CHONG MENG
PHILIP DOMINIC**

Executive Director/ Acting Group
Chief Executive Officer/ Chief
Technology Officer
Gender : Male

Board Of Directors (cont'd)

**TAN JECK MIN**

Executive Director
Gender : Male

Mr. Tan Jeck Min, a Singaporean, aged 48, is our Executive Director and was appointed to the Board on 19 October 2015, overseeing the daily operations of the Group. He has been instrumental in the growth and development of Quantum Storage (South Asia) Pte. Ltd. in the early years since its inception in 2003 until September 2013.

Mr. Tan brings with him a wealth of Information Technology ("IT") experiences having worked for a Hong Kong listed IT firm and US-based 3Com, both in their Singapore operations. He was also one of the pioneers of a successful regional IT System Integration company, Sandz Solutions (Singapore) Pte. Ltd. Mr. Tan has no other public company and public listed company directorship.

Mr. Tan holds a Computer Engineering degree from the Nanyang Technological University and is a veteran in the IT industry with over 20 years of IT and operational related experience.

**JOHN CHIN SHOO TED**

Senior Independent Non-Executive Director
Gender : Male

Mr. John Chin Shoo Ted, a Malaysian, aged 66, was appointed to the Board on the 5 June 2014 as Independent Non-Executive Director and subsequent redesignated as Senior Independent Non-Executive Director on 19 October 2015. He is the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee.

Upon graduation, Mr. Chin started a private legal practice and after ten (10) years, in 1998, he left private legal practice to be involved in various social welfare activities throughout Malaysia and Asia. He was also the first National Director of Habitat for Humanity, an International Non-Government Organisation focused on building affordable houses with the poor.

In 2010, Mr. Chin founded Transformation Centre Berhad, which is a community-based organisation undertaking leadership training projects in the areas of Governance, Marketplace, Arts, Education, Sports and Social communal work in Kuching. He is presently also the Chairman of the Board of Eden on the Park Sdn. Bhd., a private limited company undertaking a pioneer project on an integrated retirement resort care in Kuching. Mr. Chin has no other public listed company directorship.

He graduated from Victoria University of Wellington, New Zealand with a Bachelor of Arts in Philosophy and Political Science in 1973 and Bachelor of Laws in 1976. He is also a certified personal inter-personal and corporate Trainer under the Ministry of Human Resources, Malaysia.

Mr. Kok Cheang-Hung, a Malaysian, aged 47, was appointed to the Board on 2 November 2017 as Independent Non-Executive Director. He is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

With 23 years of global capital markets, investment and senior management experiences, he has served the interest of several investment, financial services institutions and stock exchanges. Mr Kok is experienced in international investments, fund raising (debt, mezzanine and equity) and private equity. He has lived and worked in ASEAN, the Middle East and Africa. Mr. Kok has no other public company and public listed company directorship.

Mr. Kok holds a Master of Finance from RMIT University in Australia. He also graduated with Bachelor of Science with Honours in Mathematics from the University of Malaya, Malaysia, where he was granted a special direct admission into the 2nd year of a 4-years Science honours programme.



KOK CHEANG-HUNG

Independent Non-Executive
Director
Gender : Male

Notes :

(1) None of the Directors have family relationship with any other Directors and/or major shareholders of the Company.

(2) None of the Directors have a personal interest in any business arrangement involving the Group.

(3) None of the Directors have been convicted of any offences other than traffic offences, if any, within the past 5 years and there were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2017.

(4) The attendance of the Directors at the Board of Directors' meetings is disclosed in the Corporate Governance Overview Statement of this Annual Report.

PROFILES OF KEY MANAGEMENT

**TEO CHONG MENG
PHILIP DOMINIC**

Executive Director/ Acting Group
Chief Executive Officer/ Chief
Technology Officer
Gender : Male

The details of Mr. Teo Chong Meng Philip Dominic are disclosed in the Board of Directors of this Annual Report.

TAN JECK MIN

Executive Director
Gender : Male

The details of Mr. Tan Jeck Min are disclosed in the Board of Directors of this Annual Report.

Mr. Johnny Tan Poay Koon, a Singaporean, aged 52, is our Regional Sales Director for EDM Infrastructure Technology. He is responsible for leading the sales team and oversees all business development activities across the South East Asia ("SEA") Region. He graduated with a Bachelor of Science in Computer Science from the National University of Singapore in 1993.

JOHNNY TAN POAY KOON

Regional Sales Director, EDM
Infrastructure Technology
Gender : Male

Mr. Tan started his career as a Sales Engineer in Racal Electronic (S) Pte. Ltd. and was subsequently promoted to Regional Manager where he was responsible for sales throughout SEA. In 1997, he joined IBM Singapore Pte. Ltd. as Sales Manager where he handled networking solutions for several large and notable organisations. He later joined 3Com Singapore Pte. Ltd. in 2000 as a Sales Manager and was promoted to Business Development Manager for the Enterprise Division. In 2002, he joined EMC Singapore Pte. Ltd. as Sales Manager and subsequently Storage Tek Singapore Pte. Ltd. as a Senior Accounts Manager. On 1 February 2004, he joined Quantum Storage (South Asia) Pte. Ltd. as a Sales Manager and was subsequently promoted to the current position for SEA on 1 April 2007.

Mr. Tan has over twenty five (25) years of sales experience in EDM Infrastructure Technology and data management. Over the last two (2) decades, he has built a strong network of clients across various industries in SEA including telecommunication, manufacturing, transport and logistics as well as the Government Sector.

Mr. Tan has no public company or public listed company directorship.

Mr. Chan Wei Khuen, a Malaysian, aged 37, is our Group Finance Manager ("GFM") where he oversees and coordinates the finance and accounting functions of the Group. He qualified as a Chartered Accountant of The Association of Chartered Certified Accountants in 2009 and became a member of the Malaysia Institute of Accountants in 2013.

CHAN WEI KHUEN

Group Finance Manager
Gender : Male

Mr. Chan began his career in 2002 as an Accounts Executive at Excelsec Management Services Sdn. Bhd. He joined SH Tan & Partner and left as an Audit Senior Associate in 2003. He joined Baker Tilly Monteiro & Heng (formerly known as Monteiro & Heng) in Kuala Lumpur as an Audit Senior Associate and left in 2007. Subsequently, he joined Mazars Malaysia (formerly known as Moores Rowland) and left as an Audit Manager in 2010. He later became Finance Manager at Central Asia Mineral and Exploration Ltd. in Mongolia in 2010 and left in 2013. He was the GFM for DGB Asia Berhad (formerly known as DSC Solutions Berhad) before joining Kronologi Asia Berhad on 11 February 2014.

Mr. Chan brings with him over fifteen (15) years of experience in finance and accounting.

Mr. Chan has no public company or public listed company directorship.

Profiles Of Key Management (cont'd)

LAI CHING THING

Finance Manager
Gender : Female

Ms. Lai Ching Thing, a Malaysian, aged 37, is the Finance Manager of Quantum Storage (South Asia) Pte. Ltd. ("QSA") where she manages and oversees the finance and accounting function of QSA, including Quantum Storage (India) Pte. Ltd. and Kronicles (Singapore) Pte. Ltd. She is an affiliate of The Association of Chartered Certified Accountants and became a member of the Institute of Singapore Chartered Accountants in 2013.

Ms. Lai began her career as an Audit Semi Senior at Adrian Yeo & Co in 2004. Prior to joining Kronologi Asia Berhad group of companies, she was an Audit Senior at Baker Tilly TFW in Singapore in 2006. She joined QSA on 10 May 2010 as an Accountant and was later promoted to her current position as Finance Manager on 1 January 2012.

Ms. Lai brings with her over ten (10) years of experience in finance and accounting.

Ms. Lai has no public company or public listed company directorship.

TIMOTHY PIUS DING TING SOON

Sales Director, EDM Managed
Services
Gender : Male

Mr. Timothy Pius Ding Ting Soon, a Singaporean, aged 53, is our Sales Director for EDM Managed Services. He is responsible for leading the sales team and oversees all business development activities across the South East Asia ("SEA") region. He graduated with an Advance Diploma, Certified Document Imaging Architect, from The IT Industry Trade Association ("CompTia") Amsterdam, Holland in year 2002.

Mr. Ding began his career in previously named Canon Marketing Services Pte Ltd as a Product Sales Specialist in 1990 and launched the first Bubble jet Model. He subsequently joined Ricoh Asia Pacific Pte Ltd as Sales & Product Marketing Manager where he oversees the regional sales and specific product launches. In 2005, he joined Calibre Solutions Systems Pte Ltd as Vice President of Sales where he oversees the business development in SEA region focusing on ITIL related certification programmes specialising in Helpdesk and Hot desk Operations. He later joined Becrypt Asia Pte Ltd as Business Development Director in 2009 specialising in Encryption Algorithms. On 1 March 2011, Mr. Ding joined Kronicles (Singapore) Pte. Ltd., a wholly owned subsidiary of Kronologi Asia Berhad as a Sales Director.

Mr. Ding has over twenty-five (25) years of sales experience in EDM Managed Services.

Mr. Ding has no public company or public listed company directorship.

Notes :

- (1) None of the key senior management has family relationship with any other Directors and/or major shareholders of the Company.
- (2) None of the key senior management has a personal interest in any business arrangement involving the Group.
- (3) Other than traffic offences, if any, the key senior management has not been convicted of any offence within the past 5 years and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Kronologi Asia Berhad (“Company”) presents this statement to provide shareholders and investors with an overview of the Corporate Governance (“CG”) practices of the Company under the leadership of the Board during the financial year ended 31 December 2017 (“FY2017”). This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance (“the Code”).

This statement is prepared in compliance with ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and it is to be read together with the CG Report 2017 of the Company (“CG Report”) which is available on the Company website at www.kronologi.asia.

The Board is pleased to set out below the CG Overview Statement that describes the manner in which the Group has applied the Practices of the Code during the FY2017.

A. THE BOARD

i. Composition and Balance

The Board currently has five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition ensures that at least half (1/2) of the Board comprises of Independent Non-Executive Directors which is in compliance with Rule 15.02 of the AMLR of Bursa Securities and Practice 4.1 of the Code.

The positions of the Chairman and Executive Directors are held by different individuals with clear and distinct roles which are formally documented in the Board Charter.

There is a clear separation of functions between the Board and Management in order to maintain a balance of control, power and authority within the Group. The Independent Non-Executive Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The Board has delegated its responsibilities for the day-to-day management of the Group’s operations and business as well as the implementation of the Board’s policies and decisions to the Executive Directors and senior management of the Company. The Executive Directors are responsible for the implementation of the Board’s policies and decisions and entrusted with the responsibility to manage the Group’s day-to-day business operations and resources. The Independent Non-Executive Directors are actively involved in various Board committees and contribute to areas such as performance monitoring and enhancement of corporate governance and internal controls.

The presence of one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director and one (1) Independent Non-Executive Director ensure that views, considerations, judgment and discretion exercised by the Board in decision-making remain objective and independent whilst ensuring the interests of other parties such as minority shareholders are adequately addressed and protected and their views are being given due consideration. The high proportion of Independent Non-Executive Directors (more than fifty percent) provides effective checks and balances in the functioning of the Board and reflects the Company’s commitment to uphold excellent corporate governance.

A. THE BOARD (CONT'D)**i. Composition and Balance (cont'd)**

The Standard Operating Procedures ("SOP") are in place and define decision making limits and authority for each level of management within the Group. The SOP manual provides a clear guidance to the management as to the matters over which the Board reserves authority and those which it delegates to management. The SOP serve as a guideline to enable control over capital and operational expenditure and other key approval points. These limits cover among others, authority for payments, capital and revenue expenditure spending limits, and other non-financial authority. This SOP provide a framework of authority and accountability within the organisation and facilitate decision-making at the appropriate level in the organisation's hierarchy.

The Board does not have any boardroom diversity policies in terms of gender as it believes that every candidate for the Board should be given fair and equal treatment. The Board believes that candidature to the Board should be based on a candidate's merits, capability, experience, skill-sets and integrity. However, in line with the Code, the Board will consider further diversity of gender of the Board in due course.

ii. Board Responsibilities

The Board collectively leads and is responsible for the performance and affairs of the Group, including practising a high level of good governance. All Board members are expected to show good stewardship and act in a professional manner as well as to uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

The Board has the responsibility in leading and directing the Group towards realising long term corporate objectives and shareholders' value. The Board retains full and effective control of the Group's strategic plans, implements an appropriate system of risk management and ensures the adequacy and integrity of the Group's system of internal control.

Broadly, the Board assumes the following principal responsibilities in discharging its fiduciary and leadership functions:

- Reviewing and adopting a strategic plan for the Group, including addressing the Group's business strategies on promoting sustainability. The Board members had private meeting with the management in formulating overall strategic direction, business plans of the Group, including major capital commitments;
- Approving material acquisitions and disposals of potential undertakings and properties such as acquisition of Quantum Storage (Hong Kong) Limited announced to Bursa Securities in 2017;
- Overseeing conduct of the Group's business and evaluating whether or not its businesses are being properly managed. The Board reviewed the business operations matters reported by the Executive Directors to keep abreast of all relevant business information for efficient monitoring and evaluation of business;

Corporate Governance Overview Statement (cont'd)

A. THE BOARD (CONT'D)**ii. Board Responsibilities (cont'd)**

- Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- Ensuring that all candidates appointed to the Board are of sufficient caliber, including having in place a process to provide for the orderly succession of the members of the Board through Nomination Committee;
- Overseeing the development and implementation of an investor relations programme and stakeholder communications policy; and
- Reviewing the adequacy and integrity of the Group's internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has also delegated certain responsibilities to the following Board Committees to assist in the execution of its responsibilities:

- a. Audit Committee
- b. Nomination Committee
- c. Remuneration Committee
- d. Share Grant Plan Committee

Each Committee operates in accordance with respective terms of reference approved by the Board. The Board appoints the members and Chairman of each Committee.

a. Audit Committee

The objectives of the Audit Committee are, among others, to provide additional assurance to the Board by giving an objective and independent review of the Group's financial, operational and internal control procedures. The Audit Committee is also tasked with reinforcing the independence of the Company's internal and external auditors, thereby ensuring that the auditors have autonomy and independence in their audit process.

Members of the Audit Committee and the activities carried out during the FY2017 are as set out in the Audit Committee Report in this Annual Report.

The term of office and performance of the Audit Committee and its members are reviewed by the Nomination Committee annually to determine whether such Audit Committee and members have carried out their duties in accordance with the terms of reference. The term of reference has been revised on 26 February 2018.

The Company has also put in place Internal and External Auditors Assessment Policies together with a formal annual performance evaluation of the Internal and External Auditors by the Audit Committee. The objective of the Internal and External Auditors Assessment Policies is to outline the guidelines and procedures for the Audit Committee to review, assess and monitor the performance, suitability, objectivity and independence of the Internal and External Auditors respectively.

A. THE BOARD (CONT'D)**ii. Board Responsibilities (cont'd)****b. Nomination Committee**

The current Nomination Committee of the Company comprises of all Independent Non-Executive Directors as follows:

Name	Designation
John Chin Shoo Ted, Chairman	Senior Independent Non-Executive Director
Tan Wee Seng Gerard, Member	Independent Non-Executive Chairman
Kok Cheang-Hung, Member	Independent Non-Executive Director

The main responsibilities of the Nomination Committee are as follows:-

- Nominate new nominees for appointment to the Board and Board Committees for the Board's consideration.
- Annually review the Board's required mix of skills, experience and other qualities, including core competencies, which the Independent Non-Executive Directors should bring to the Board.
- Annually review and assess the effectiveness of the Board and Board Committees and performance of the Directors of the Company both individually and collectively.
- Annually review and assess independence of the Independent Non-Executive Directors.
- Annually review the term of office and performance of the Audit Committee and each of its members to determine whether such Audit Committee and its members have carried out their duties in accordance with their terms of reference.

The Nomination Committee meets as and when required. The Nomination Committee met twice during the financial year under review and the activities undertaken by the Nomination Committee were as follows:

- Assessed and evaluated the independence of the Independent Non-Executive Directors.
- Carried out an annual assessment and rating of the performance of each Independent Non-Executive Director against diverse key performance indicators, amongst others, attendance at Board and/or Board Committees meetings, adequate preparation for Board and/or Board Committee meetings, regular contribution to Board and/or Board Committee meetings, personal input to the role and other contributions to the Board and/or Board Committees.
- Carried out an annual assessment and rating of the performance of the Executive Directors against the criteria as set out in the evaluation forms, amongst others, financial, strategic, operations management and business plans, technology and product development, business acumen, conformance and compliance, shareholders'/investors' relations, employee training and development, succession planning and personal input to the role.

Corporate Governance Overview Statement (cont'd)

A. THE BOARD (CONT'D)**ii. Board Responsibilities (cont'd)****b. Nomination Committee (cont'd)**

- Carried out an annual assessment and rating of the performance of Audit Committee against the criteria as set out in the evaluation form, amongst others, composition, quality, oversight of the financial reporting process including internal controls and audit functions, understanding of the business including risks, access to information, access to advice, compliance with corporate governance and others.
- Reviewed and recommended to the Board the re-election of Mr. Tan Wee Seng Gerard and Mr. John Chin Shoo Ted as Directors at the last Annual General Meeting ("AGM") held on 26 May 2017.
- Reviewed, assessed and recommended to the Board the appointment of Mr. Kok Cheang-Hung as the Independent Non-Executive Director.

c. Remuneration Committee

The principal objective of the Remuneration Committee is to assist the Board in developing a policy on the remuneration packages for Directors of the Company, and ensure that the remuneration packages are commensurate with the expected responsibilities and contributions by the Directors.

The current Remuneration Committee of the Company comprises of all Independent Non-Executive Directors as follows:

Name	Designation
John Chin Shoo Ted, Chairman	Senior Independent Non-Executive Director
Tan Wee Seng Gerard, Member	Independent Non-Executive Chairman
Kok Cheang-Hung, Member	Independent Non-Executive Director

The Remuneration Committee meets as and when required. The Remuneration Committee met twice during the financial year under review to consider the Director's fees/benefits for the existing and proposed new Directors of the Company.

Corporate Governance Overview Statement (cont'd)

A. THE BOARD (CONT'D)**ii. Board Responsibilities (cont'd)****d. Share Grant Plan ("SGP") Committee**

The principal role of the SGP Committee is to oversee the administration and management of the SGP of the Company in accordance with the bylaws of the SGP.

The Board elects the SGP Committee members from amongst themselves and/or members of the senior management.

The members of the SGP Committee are as follows:-

Name	Designation
Tan Jeck Min, Chairman	Executive Director
Tan Wee Seng Gerard, Member	Independent Non-Executive Chairman
Yee Chin Fui, Member	Group Human Resource Director

The SGP Committee meets as and when required. The SGP Committee met once during the financial year under review and the activities undertaken by the SGP Committee were as follows:

- Carried out the discussion on the structure, policy, eligibility, documentation and timeline of the SGP to the employees; and
- Determine the budget allocation for the intended SGP.

iii. Board Charter

The Board Charter adopted by the Board provides guidance to the Board in the fulfillment of its roles, duties and responsibilities which are in line with the relevant legislation, regulations and best practices of good corporate governance. The Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board as well as the relationships between the Board and the Board Committees established by the Board, and between the Independent Non-Executive Chairman and the Executive Directors.

A copy of the Board Charter is published in the corporate website of the Company at www.kronologi.asia.

The Board Charter is subject to periodic review and is updated as and when necessary to ensure it remains consistent with the Group's policies and procedures, the Board's overall responsibilities as well as changes to legislation and regulations. The Board Charter was formalised on 18 November 2014 and revised by the Board on 30 November 2015 and 26 February 2018 respectively.

The Code of Ethics and Conduct which forms part of the Board Charter is observed by all Directors, management and employees of the Group. The Code of Ethics and Conduct stresses the key values which the Directors, management and employees of the Group are to uphold compliance with all relevant legislation and regulations, high standards of corporate governance and integrity, transparency and accountability in the conduct of business of the Group.

The Company has also adopted a Whistleblowing Policy which provides a defined avenue and accessible reporting channels for all employees of the Group to raise concerns or disclose any improper conduct within the Group.

Corporate Governance Overview Statement (cont'd)

A. THE BOARD (CONT'D)**iv. Board Meetings and Supply of Information**

There were four (4) Board meetings convened during the FY2017. The Board is to have at least four (4) scheduled quarterly meetings with additional meetings to be convened, where necessary.

The Directors' attendance at the Board meetings are set out as follows:

Name of Directors	Attendance
Tan Wee Seng Gerard	4/4
Teo Chong Meng Philip Dominic	4/4
Tan Jeck Min	4/4
John Chin Shoo Ted	3/4
Kok Cheang-Hung (Appointed on 2 November 2017)	1/1
Lee Wai Cheong (Resigned on 30 April 2017)	1/1
Geoffrey Ng Ching Fung (Resigned on 31 January 2018)	4/4

During the above meetings, the Board deliberated and approved various reports and issues, including the quarterly financial results of the Group for announcements to Bursa Securities as well as the Group's strategic, operational and financial performance.

The Directors are expected to attend every meeting whenever possible. The Directors had, and always tried their best to attend every meeting, whether in person or via video and telephone conferencing. Their commitment and attendance are evidenced by the attendance records as shown above.

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

The Directors receive notices of meetings, typically at least seven (7) days prior to the date of the meeting, setting out the agenda for the meeting, complete with a full set of Board papers. The Board papers provide sufficient details of matters to be deliberated during the meetings and the information provided therein is not confined to financial data but also includes non-financial information, both quantitative and qualitative, which are deemed critical for the Directors' knowledge and information in arriving at sound and informed decisions.

Where necessary, senior management and/or external professionals are invited to attend these meetings to clarify and/or explain matters being tabled.

In the event a potential conflict of interest situation arises, the Director concerned is required to declare his interest and abstain from any deliberation and participation in respect of such resolution pertaining to the transaction. Unless his presence is needed in the meeting to provide information, he would be requested to recuse himself from the meeting.

A. THE BOARD (CONT'D)**iv. Board Meetings and Supply of Information (cont'd)**

The Company Secretary ensures that all Board and Board Committees meetings are properly convened, and that accurate and proper records of proceedings and minutes of meetings together with circular resolutions passed are duly recorded and properly maintained at the registered office of the Company. The Company Secretary also serves notice to Directors on the closed periods for trading in the Company's shares, in accordance with Chapter 14 of the Listing Requirements.

The Board appoints the Company Secretary who play an important advisory role, and ensures that the Company Secretary fulfils the functions for which she has been appointed. The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.

The Board recognises the fact that the Company Secretary is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary to the Board in the discharge of their functions.

v. Access to Information and Independent Advice

All Board members have unrestricted access to advice and services of the Company Secretary and senior management to enable them to discharge their duties effectively. The Directors also have access to the Internal and External Auditors of the Group, with or without the presence of the Management, to seek explanations or additional information.

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

vi. Appointment to the Board and Re-election of Directors

The members of the Board are to be appointed in a formal and transparent manner as endorsed by the Code. The Nomination Committee will scrutinise the candidates and recommend the same for the Board's approval. In discharging this duty, the Nomination Committee will assess the suitability of a candidate by taking into account the candidate's mix of skill, functional knowledge, expertise, experience, professionalism and integrity that the candidate shall bring to complement the Board, and his other commitments.

All Board members shall notify the Chairman of the Board before accepting any new directorships in other companies. The notification shall include an indication of time that will be spent on the new appointment. The Chairman shall also notify the Board if he has any new directorships or significant commitments outside the Company.

In accordance with the Company's Constitution, at least one-third (1/3) of the Directors shall retire at the AGM, and be eligible for re-election provided that all Directors shall retire at least once in every three (3) years.

Directors who are appointed by the Board during the year shall be subject to re-election at the next AGM to be held following their appointments.

Corporate Governance Overview Statement (cont'd)

A. THE BOARD (CONT'D)**vii. Tenure of Independent Director**

The Board is fully aware that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval on a yearly basis. If the Board continues to retain the Independent Director after the twelfth (12) year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board had conducted an evaluation of the level of independence of the Independent Non-Executive Directors of the Company who served during the FY2017. The Board is satisfied with the level of independence demonstrated by them and their ability to act in the best interest of the Company and/or the Group.

None of the Independent Directors of the Company has served the Board for more than nine (9) years.

viii. Evaluation of the performance of the Directors and the Board as a whole

The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and of its relevant Board Committees. The Nomination Committee is given the task of reviewing and evaluating the individual Director's performance and the effectiveness of the Board and the Board Committees on an annual basis.

ix. Directors' Training

The Board acknowledges that continuous education is vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the Board's skills and knowledge in discharging its responsibilities.

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. The Board will assess the training needs of the Directors and ensure Directors have access to continuing education programmes.

During the FY2017, all Directors of the Company have attended the in-house briefing session conducted by the Secretary of the Company on the Malaysian Code on Corporate Governance.

Corporate Governance Overview Statement (cont'd)

A. THE BOARD (CONT'D)**ix. Directors' Training (cont'd)**

The Directors have also being briefed on the relevant changes arising from the implementation of the Companies Act 2016, amendments to the AMLR of Bursa Securities and changes in the accounting standards at the Board and Board Committees meetings.

Besides the above briefing, the Directors have also attended the following seminars during the FY2017 to further enhance their knowledge and skills:

Name of Directors	Training attended
Teo Chong Meng Philip Dominic	Quantum Sales Kick Off
Tan Wee Seng Gerard	SID - Launch of Audit Committee Guide SID - Relevance of the Enhanced Auditor's Report to Directors, ACs and Management Singapore Companies Act Amendments Update SID - Dualling over Governance, Risk & Rewards PwC - What makes an effective Board in times of turbulence IIA - AC Guide Talk – Speaker SID-ACRA Directors Compliance Programme Training – Lecturer SID - Launch of Corporate Governance e-Guide NCSS - Social Service Summit SID - Private equity vs Public markets SID - FRS 115 SID - Singapore Governance & Transparency Index Forum SDIC - FRS 109 SID - FRS 109 SID Conference - The Sustainability Imperative IMAS - Singapore Stewardship Principle (SSP) Networking Series PwC - Empowering your business transformation with confidence - Managing the risk of change SID - The Critical role of ACs in valuation & Impairment of Assets SID - Launch of Singapore Board of Directors Survey 2017
Tan Jeck Min	SID - Launch of Corporate Governance e-Guide

Note: SID = Singapore Institute of Directors

Corporate Governance Overview Statement (cont'd)

A. THE BOARD (CONT'D)**x. Directors' Remuneration**

The Board, through the Remuneration Committee, endeavors to ensure that the levels of remuneration offered for Executive Directors are sufficient to attract, retain and motivate the Executive Directors of the quality required to run the Group successfully. Executive Directors' remuneration is structured so as to link rewards to their corporate and individual performance.

Non-Executive Directors of the Company are paid a basic fee as ordinary remuneration and will be paid a sum based on their responsibilities in the Board and the Board Committees, their attendance and/or special skills and expertise they bring to the Board. The fee is fixed in sum and not by a commission or percentage of profits or turnover.

The Board determines the level of remuneration, fees and benefits of the Board members, taking into consideration the recommendations of the Remuneration Committee for the Directors.

Each individual Director abstains from deliberation and voting on all matters pertaining to their own remuneration.

The remuneration of the Directors of the Company and the Group for the financial year under review are as follows:

The Company

Name of Directors	Fees (RM)	Salaries & Benefits in Kind (RM)	Meeting allowance (RM)	Total (RM)
Tan Jeck Min	48,000	–	–	48,000
Philip Dominic Teo Chong Meng	48,000	–	–	48,000
Tan Wee Seng Gerard	120,000	–	4,000	124,000
John Chin Shoo Ted	72,000	–	3,500	75,500
Kok Cheang-Hung	10,000	–	2,000	12,000
Geoffrey Ng Ching Fung	60,000	–	500	60,500
Lee Wai Cheong	20,000	–	–	20,000
TOTAL	378,000	–	10,000	388,000

A. THE BOARD (CONT'D)**x. Directors' Remuneration (cont'd)****The Group**

Name of Directors	Fees (RM)	Salaries & Benefits in Kind (RM)	Defined Contribution Plan (RM)	Meeting allowance (RM)	Total (RM)
Tan Jeck Min	48,000	526,120	54,429	–	628,549
Philip Dominic Teo Chong Meng	48,000	515,701	54,428	–	618,129
Tan Wee Seng Gerard	120,000	–	–	4,000	124,000
John Chin Shoo Ted	72,000	–	–	3,500	75,500
Kok Cheang-Hung	10,000	–	–	2,000	12,000
Geoffrey Ng Ching Fung	60,000	–	–	500	60,500
Lee Wai Cheong	20,000	–	–	–	20,000
TOTAL	378,000	1,041,821	108,857	10,000	1,538,678

The Directors' remuneration includes all the Directors in office during the financial year under review.

xi. Remuneration of senior management

Due to confidentiality, sensitivity and security concerns, the Board is of the view that the disclosure of Top Senior Management's aggregated remuneration on unnamed basis in the bands of RM50,000 is adequate. The details of the remuneration are disclosed in Practice 7.2 of the CG Report.

B. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound internal control system to safeguard shareholders' investment and the Company's assets, and for reviewing the adequacy and integrity of the system.

Risk management is an integral part of the Group's business operations and it is subject to periodic reviews by the Board.

As guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board performs reviews on an annual basis covering not only financial, but operational and compliance controls and risk management systems, in all material aspects. Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the Board that the processes have been carried out.

The Audit Committee has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The internal audit function is outsourced to a third party professional services firm, which is independent of the activities and operations of the Group. Details on the Statement on Risk Management and Internal Control are furnished in the Annual Report.

The Board recognises that identification, evaluation and management of significant risks faced by the Company are an on-going process. The improvement of the system of internal controls is also an on-going process and the Board maintains continuing commitment to strengthen the Company's internal control environment and processes.

Corporate Governance Overview Statement (cont'd)

C. THE SHAREHOLDERS**i. Dialogue between the Company and Investors**

The Board values the importance of dissemination of information on major developments of the Group to its shareholders, potential investors and the general public in a timely and equitable manner. Quarterly results, announcements, annual reports, corporate updates and circulars serve as the primary means of dissemination of information so that shareholders are constantly kept abreast of the Group's progress and development. The Company's corporate website at www.kronologi.asia serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news and events relating to the Group.

The Board has adopted a Corporate Disclosure Policy with the objective of providing effective communication to its shareholders and general public regarding the business, operations and financial performance of the Company and its subsidiaries, and where necessary, information filed with regulators is in accordance with all applicable legal and regulatory requirements. The Corporate Disclosure Policy was formalised by the Board on 18 November 2014 and revised on 30 November 2015.

ii. Conduct of General Meetings

The Board will ensure that the general meetings of the Company are conducted in an efficient manner and is a platform for shareholders' communication. These include the supply of comprehensive and timely information to shareholders and encouraging active participation at the general meetings.

The AGM remains as a principal forum used by the Group for communication with its shareholders. During the AGM, shareholders are accorded time and opportunity to raise questions to the Board on the resolutions being proposed and also matters relating to the performance, developments within the Group and the future direction of the Group. Shareholders are also invited to convey and share their inputs with the Board. Where applicable, the Board will also ensure that each item of special business that is included in the notice of meeting is accompanied by a full written explanation of that resolution and its effects to facilitate shareholders' understanding and evaluation.

An Extraordinary General Meeting ("EGM") is held as and when shareholders' approvals are required on specific matters. Notices of AGM and EGM are issued in a timely manner to all shareholders whose names appear on the Company's Record of Depositors on a date as specified in the notices.

The voting at the AGM and EGM was conducted by poll and sufficient time was given to the scrutineer appointed by the Company to verify the voting of the shareholders and proxies. The outcome of the voting was announced by the Chairman of the meetings and to Bursa Malaysia in timely manner.

A summary of the key matters discussed at the AGM (if any) will be published on the Company's website for the shareholders' information.

D. STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Company is committed to achieving high standards of corporate governance throughout the Company and the Group and highest level of integrity and ethical standards in all of its business dealings.

The Board will continue to strive for full compliance with the Code in the coming financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors of the Company is fully accountable for ensuring that the financial statements are drawn up in accordance with the Companies Act 2016 ("Act") and the applicable approved accounting standards prescribed by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Company and its subsidiaries ("the Group") as at 31 December 2017 and of the results and cash flows of the Company and the Group for the financial year then ended.

In the preparation of the financial statements for the financial year ended 31 December 2017, the Directors have:

- a. applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards;
- b. made judgments and estimates that are prudent and reasonable; and
- c. used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept in accordance with the Act. The Directors also have overall responsibility in taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

OBJECTIVES

The primary objective of the Audit Committee (“the Committee”) of Kronologi Asia Berhad (“Company”) is to assist the Board of Directors (“the Board”) to discharge its statutory duties and responsibilities. It provides an additional assurance to the Board through performing an objective and independent review of financial, operational and administrative controls and procedures, establishing and maintaining internal controls and reinforcing the independence of the Internal and External Auditors, thereby ensuring that the Auditors have autonomy and independence in their audit process.

COMPOSITION OF COMMITTEE

The Committee comprises the following members, all being Independent Non-Executive Directors, which complies with Rule 15.09 of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”):

Chairman: Kok Cheang-Hung (*Independent Non-Executive Director*)

Members: Tan Wee Seng Gerard (*Independent Non-Executive Chairman*)
John Chin Shoo Ted (*Senior Independent Non-Executive Director*)

The Terms of Reference of the Committee can be accessed from the corporate website of the Company at www.kronologi.asia.

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Committee met four (4) times during the financial year under review. The attendance of Committee members at the meeting is set out as follows:

Committee Members	No. of Meetings Attended
Kok Cheang-Hung (Appointed on 2 November 2017)	1/1
John Chin Shoo Ted	3/4
Tan Wee Seng Gerard	4/4
Geoffrey Ng Ching Fung (Resigned on 31 January 2018)	4/4
Lee Wai Cheong (Resigned on 30 April 2017)	1/1

Minutes of each Committee meeting were recorded and tabled for confirmation at the following meeting and subsequently presented to the Board for notation.

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

The Committee had carried out the following activities during the financial year ended 31 December 2017 ("FY2017") in discharging their duties and responsibilities:

1. Reviewed the quarterly unaudited financial results and annual Audited Financial Statements of the Group and the Company including the announcements pertaining thereto. Discussion focused particularly on any change in accounting policies and practices, significant adjustments arising from the audit and compliance with accounting standards and other legal requirements before recommending to the Board for approval and release of the announcements to Bursa Securities and submission to Securities Commission Malaysia and Companies Commission of Malaysia;
2. Recommended the re-appointment of the External Auditors and audit fee to the Board, after taking into consideration the independence and objectivity of the External Auditors and cost effectiveness of the audit;
3. Reviewed the Audit Approach Memorandum for the FY2017 presented by the External Auditors;
4. Reviewed the Audit Report and annual Audited Financial Statements with the External Auditors and finance team, focusing particularly on significant changes to accounting policies and practices, going concern assumptions, adjustments arising from the audits, and significant matters arising from the audit of the Group, compliance with the relevant accounting standards and other legal requirements to ensure compliance with the provisions of the Companies Act 2016 and the Listing Requirements;
5. Reviewed with the Internal Auditors, the Internal Audit Plan to ensure the adequacy of the scope, functions and resources and that it has the necessary authority to carry out its work;
6. Reviewed the internal audit reports which outlined the recommendations towards remediating areas of weakness, improving internal controls and ensuring the implementation of the management action plans to address issues found;
7. The Committee met with the External Auditors without the presence of the Executive Directors and management staff to discuss any issues of concern with the External Auditors arising from the annual statutory audit;
8. Reviewed the Corporate Governance Statement, Audit Committee Report and Statement on Risk Management and Internal Control to ensure adherence to legal and regulatory reporting requirements before recommending to the Board for approval for inclusion in the Company's Annual Report;
9. Reviewed the Entity Risk Management Framework before recommending to the Board for approval; and
10. Reviewed related party transactions, if any, that transpired to ensure that the transactions entered into were at arm's length basis and on normal commercial terms.

The presence of the External Auditors and/or the Internal Auditors at the Committee meetings can be requested if required by the Committee. Other members of the Board and officers of the Company and the Group may attend meetings (specific to the relevant meeting) upon the invitation of the Committee.

FINANCIAL REPORTING

The Committee reviews and scrutinises the information of the Group's quarterly results and annual audited financial statements to ensure material accuracy, adequacy, validity, timeliness and compliance with applicable financial reporting standards for disclosure to shareholders. Those reports which present a balanced and fair assessment of the Group's financial position and prospects are then tabled to the Board for approval and release to Bursa Securities and Securities Commission Malaysia accordingly.

RELATIONSHIP WITH AUDITORS

The Group has established a transparent and appropriate relationship with the Internal Auditors and External Auditors. Such relationship allows the Group to seek professional advice on matters relating to compliance and corporate governance. The internal audit function of the Group is outsourced to a third party who reports directly and regularly to the Committee of the Company. Similar to the External Auditors, the Internal Auditors also have direct reporting and access to the Committee to ensure that issues highlighted are addressed independently, objectively and impartially without any undue influence of the Management.

The Board, through the Committee, has maintained appropriate, formal and transparent relationship with the Internal Auditors and External Auditors. The Committee meets the Internal Auditors and External Auditors without the presence of Management, whenever necessary, and at least once a year, which demonstrate their independence, objectivity and professionalism.

Meetings with the External Auditors are held to further discuss the Group's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the External Auditors inform and update the Committee on matters that may require their attention.

The Committee collectively carried out the assessment of the performance of the External Auditors of the Company for the FY2017 upon such evaluation criteria as set out in its Annual Assessment Form. These include:

- a. Adequacy of resources and experience of the audit firm;
- b. Quality processes of the audit firm;
- c. Competency of the engagement team;
- d. Governance and independence;
- e. Audit fee, scope and planning; and
- f. Audit reports and communications.

The Committee was satisfied with the suitability, technical competency, objectivity and independence of the External Auditors of the Company. The Committee accordingly made its recommendation to the Board for re-appointment of Messrs. Grant Thornton Malaysia as External Auditors of the Company, upon which the shareholders' approval will be sought at the upcoming Annual General Meeting of the Company.

INTERNAL AUDIT FUNCTION

Appointment

The internal audit ("IA") function is outsourced to OAC Consulting Sdn. Bhd. ("Internal Auditors" or "OAC"), an independent professional services firm, to carry out internal audit services for the Group. Internal audit reports are presented, together with Management's response and proposed action plans to the Committee on a quarterly basis.

IA Activities

The Internal Auditors undertake their audits based on the operational, compliance and risk-based audit plan approved by the Committee. The risk-based audit plan covers the review of the key operational and financial functions in accordance with the approved Internal Audit Plan. A risk-based methodology is adopted to evaluate the adequacy and effectiveness of the risk management, financial, operational and governance processes.

The purpose of the IA function is to provide the Board, through the Committee, assurance of the effectiveness of the system of internal control of the designated entities of the Group.

The IA reporting can broadly be segregated into two main areas as follows:-

i. IA Plan for the Group

The IA Plan for the FY2017 for the Group was presented to the Committee by the Internal Auditors at the previous financial year for discussion and approval.

ii. Audit Committee Reports and Risk Audit Reports

The Audit Committee reports and Risk Audit reports are tabled to the Committee for review by the Internal Auditors on a quarterly basis. During the financial year under review, the Internal Auditors reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

In addition, follow up reviews were also conducted to ensure that corrective actions have been implemented in a timely manner. Based on the IA reviews conducted, there were no significant weaknesses noted during the audit that would result in any material losses, contingencies or uncertainties that require the Committee's attention.

Total costs incurred for the IA function

The total fee accrued for the IA function of the Group for the FY2017 was RM39,000.

Evaluation of performance of the Internal Auditors

The Committee had collectively evaluated the performance of the Internal Auditors for the FY2017 upon such evaluation criteria as set out in its Annual Assessment Form. Upon the assessment, the Committee was of the view that:

- The Internal Auditors have sufficient experience and resources to satisfy their terms of reference; and
- The Internal Auditors have sufficient resources to adequately deliver the quality services to the Group.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

Initial Public Offering

The Company's entire enlarged issued and paid-up share capital of RM23,698,800 comprising 236,988,000 ordinary shares was listed and quoted on the ACE Market of Bursa Securities on 15 December 2014.

The gross proceeds from the Public Issue amounted to RM17.182 million and the status of the utilisation of the proceeds raised as at 31 December 2017 is as follows:-

	Detail of utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviations/ Variation RM'000	Balance RM'000	Time frame for utilisation
1	Business expansion	6,000	–	(6,000)#	–	–
2	Part-funding for the cash consideration#	–	6,000	6,000	–	–
3	Research and development expenditure	3,500	2,899	–	601	Within 48 months^
4	Working capital	4,482	4,650	168	–	
5	Estimated listing expenses	3,200	3,032	(168)*	–	
	Total gross proceeds	17,182	16,581	–	601	

As disclosed in the Company's announcements dated 22 July 2016, 29 July 2016 and 2 September 2016, the proceeds allocated for business expansion had been varied to fund part of the cash consideration for the acquisition of Quantum Storage (India) Pte. Ltd. ("QSI Acquisition"). The QSI Acquisition had been completed on 4 October 2016.

* In view of the actual listing expenses being lower than estimated, the excess will be utilised for working capital purposes.

^ As disclosed in the Company's announcement dated 5 January 2018 for the extension of a further 12 months to utilise the research and development expenditure.

Private placement

The Company proposed to undertake a private placement of new ordinary shares, representing up to 10% of the total number of issued shares in the Company ("Private Placement").

Bursa Malaysia Securities Berhad had vide its letter dated 31 May 2017 approved the listing of and quotation for up to 27,037,200 new ordinary shares in the Company to be issued pursuant to the said Private Placement.

Additional Compliance Information (cont'd)

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (CONT'D)**Private placement (cont'd)**

The gross proceeds from the Private Placement amounted to RM21.973 million and the status of the utilisation of the proceeds raised as at 31 December 2017 is as follows:-

	Detail of utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviations/ Variation RM'000	Balance RM'000	Time frame for utilisation
1	Business expansion	5,000	–	–	5,000	Within 24 months
2	Transnational infrastructure equipment	5,000	–	–	5,000	Within 24 months
3	Working capital	11,823	7,461	(10)	4,352	Within 24 months
4	Estimated expenses	150	160	10	–	Within 2 weeks
	Total gross proceeds	21,973	7,621	–	14,352	

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/ payable to the External Auditors by the Company and the Group for the financial year ended 31 December 2017 are as follows:-

	Group RM	Company RM
Audit Fee	356,899	84,000
Non - Audit Fee	15,900	11,300

3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and/or its subsidiaries, involving Directors' or major shareholders' interest either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS

There was no recurrent related party transaction of revenue of trading nature during the financial year ended 31 December 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26 (b) of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board is required to make a statement in the annual report on the state of risk management and internal controls in the Group. In this respect, the Board is pleased to present the following Statement on Risk Management and Internal Control prepared in accordance with the Listing Requirements of Bursa Securities and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers by the Taskforce on Internal Control.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound framework of risk management and internal controls which are fundamental for good corporate governance. The Board focuses on effective risk oversight which is critical to setting the tone and culture towards effective risk management and internal controls. Due to the limitations that are inherent in any system of risk management and internal controls, this system is designed to manage and minimise, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system covers, inter alia, risks management, financial, organisational, operational and compliance controls.

RISK MANAGEMENT FRAMEWORK

The Board regards the management of core risks as an integral and critical part of the day-to-day operations of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial year under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of requisite action plans and monitoring regime which are imperative in ensuring the accomplishment of the Group’s corporate objectives.

Day-to-day operations in respect of the financial, commercial, legal compliance and operational aspects of the Group are closely monitored by the respective Heads of Department and they are delegated with the responsibility to identify and manage these risks within defined parameters and standards. The deliberations of risk and mitigation responses are discussed at periodic management meetings.

The management of risk is an on-going process to identify, evaluate and manage the significant risks faced by the Group. Further assurance is provided by the Internal Audit function which operates across the Group with emphasis on key operating functions within the Group. The Board periodically re-evaluates the existing risk management practices, and where appropriate and necessary, updates them accordingly.

During the financial year, the Board had appointed Axcelasia Columbus Sdn Bhd to establish an Enterprise Risk Management (“ERM”) Framework for the Group. The Framework is implemented through 2 stages; the first stage involved risk identification and risk evaluation, which has been completed during the year, whilst the second stage involved risk mitigation and risk monitoring, which is expected to be completed in year 2018.

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

RISK MANAGEMENT FRAMEWORK (CONT'D)

With the implementation of the ERM Framework, the Group will have a structured process within its risk management framework for identifying, evaluating, mitigating and monitoring risks:

- Key business and operational risks faced by the Group are defined, highlighted, monitored and managed systematically to ensure prudent risk management.
- Risk identification: risk owners (heads of each department/management) are primarily responsible for identifying risks that could adversely impact the achievement of the Group's objectives in relation to their areas of supervision/control.
- Risk evaluation: evaluation of the identified risks by risk owners to determine the possibility of occurrence and potential impact to the Group.
- Risk mitigation: proposed action plan by risk owners to manage/mitigate the risks.
- Risk monitoring: ongoing process of monitoring risks by Management to ensure that appropriate mitigation plans have been implemented and taking into account changes in the regulatory and business environment.

Risk identification had classified the Group's risk into 6 broad categories namely strategic, commercial, technical, operations, finance and human capital. A rating was assigned to each risk to determine the likelihood of the risk of occurring and potential impact to the business.

On top of this, key controls and procedures had been identified to mitigate each risk.

During the year, a risk manager was appointed to ensure the smooth implementation of the second stage i.e the risk mitigation and monitoring. The second stage entails the documentation of the risk action plans and its monitoring. The risk manager is expected to report the status of the ERM implementation on a half yearly basis.

On a yearly basis, the Board requested OAC Consulting Sdn Bhd to perform risk identification and evaluation annually, the results of which were tabled during the year at the Audit Committee meeting and used as a basis to determine the scope of the 2017 Internal Audit Plan.

KEY INTERNAL CONTROL ELEMENTS

- Clearly defined terms of reference, authorities and responsibilities of the various Board Committees which include the Audit Committee, Nomination Committee, Remuneration Committee and Share Grant Plan Committee;
- Well defined organisational structure with clear lines of authority, accountability and responsibility of the Senior Management and the Board;
- Sufficient reports generated in respect of the business and operating units to enable proper review of their operations and financials. Management accounts are prepared timely on a monthly basis and are reviewed by the Acting Group Chief Executive Officer, Executive Director and Senior Management;
- Clearly defined and formalised internal policies and procedures are in place to support the Group in achieving its corporate objectives. These policies and procedures provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business;

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

KEY INTERNAL CONTROL ELEMENTS (CONT'D)

- Training and development programmes to enhance the professionalism and competency of staff. A performance management system is in place with established key performance indicators to measure and review staff performance on an annual basis;
- Decision of the Board to outsource its internal audit function to an independent professional consulting firm for greater independence and accountability in the internal audit function; and
- Whistleblowing Policy which provides an avenue for employees to report suspected malpractices, misconduct or violations of the Company's policies and regulations in a secure and confidential manner.

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to an independent professional consulting firm to carry out internal audit services for the Group. Internal audit reports are presented, together with Management's response and proposed action plans to the Audit Committee on a quarterly basis.

The Internal Auditors undertake internal audit functions based on the operational, compliance and risk-based audit plan approved by the Audit Committee. The risk-based audit plan covers the review of the key operational and financial functions in accordance with the approved Internal Audit Plan. A risk-based methodology is adopted to evaluate the adequacy and effectiveness of the risk management, financial, operational and governance processes.

During the financial year ended 31 December 2017, the internal audit function carried out audits in accordance with the Internal Audit Plan approved by the Audit Committee. The results of the internal audit were reviewed and the recommendations for improvement were presented to the Audit Committee at their quarterly meetings.

For the financial year ended 31 December 2017, the Internal Auditors have reviewed and evaluated the adequacy and effectiveness of the internal control system over the following business processes of the Group:

Quarter 1	Human Resource Management
Quarter 2	Research and Development
Quarter 3	Invoicing
Quarter 4	Asset Management

In addition, follow up reviews were also conducted to ensure that corrective actions have been implemented in a timely manner. Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report. The total cost incurred for the internal audit function for the financial year ended 31 December 2017 was RM39,000.

REVIEW BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the Listing Requirements of Bursa Securities, the External Auditors have reviewed the Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2017. Their review was performed in accordance with Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. The External Auditors have reported to the Board that nothing had come to their attention that caused them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is it factually inaccurate.

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

ASSURANCE TO THE BOARD

The Board had received assurance from the Executive Directors that the Group's risk management framework and internal controls are operating adequately and effectively, in all material aspects, for the financial year ended 31 December 2017.

CONCLUSION

The Board is of the view that the Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of risk management and internal controls.

SUSTAINABILITY REPORT

Kronologi Asia Berhad (“Kronologi” or “Company”) aims to conduct a sustainable business which enhances the value of all our stakeholders. We are committed to play an active role as a responsible corporate citizen and believe a sustainable business should be carried out ethically and with integrity. We have identified three important pillars to support our initiative to build a sustainable business.

ENVIRONMENT

The Company and its subsidiaries (“Group”) do not operate in an environmentally sensitive business, but we recognise our duty to minimise the Group’s carbon footprint to the environment. Therefore, the Group has identified opportunities to reduce or reuse the resources we consume as the Group believes that efficient reuse, recycling and efficient utilisation of resources will help reduce the Group’s overall carbon footprint.

These steps include reducing our energy consumption through switching off unused lights and air conditioning, and our paper management initiative to print only where necessary, including printing on both sides of a page, if possible, and the recycling of used printed papers.

WORKPLACE

Great people make a great organisation. Kronologi strives to provide all our employees with a conducive workplace in order for us to consistently perform at our very best. We take pride in ensuring that our operations are carried out in a safe and healthy environment with sufficient support for training and development to bring out the best in our team.

The Group takes cognisance for the recommendation of a diversity policy of its workforce in terms of gender, ethnicity and age and shall accord due consideration on the matter.

COMMUNITY

Kronologi believes in contributing back to society and actively participates in Corporate Social Responsibility (“CSR”) activities.

Every year, during Chinese New Year, the Group would organise a lunch event for its business partners and associates. At the lunch event, the Group would raise funds for a charitable organisation. In 2017, the Group raised and contributed a total of SGD26,888 for the Filos Community Services Ltd.







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 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provisions of business consulting, designing of solutions and research and development relating to new and emerging information technology software, applications, multimedia development, information systems, data management software, data protection solutions and processes, system back-up and disaster recovery systems and related businesses. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net profit/(loss) for the financial year	12,062,931	(2,749,325)

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors in office during the financial year and up to the date of this report are as follows:-

Teo Chong Meng Philip Dominic
Tan Wee Seng Gerard
John Chin Shoo Ted
Tan Jeck Min
Kok Cheang-Hung (Appointed on 2 November 2017)
Geoffrey Ng Ching Fung (Resigned on 31 January 2018)
Lee Wai Cheong (Resigned on 30 April 2017)

DIRECTORS (CONT'D)

The names of the Directors of the Company's subsidiaries in office during the financial year to the date of this report other than those named above are as follows:-

Edmond Tay Nam Hiong
Yee Chin Fui
Chan Wei Khuen
Law Chee Yii

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, the interest and deemed interests in the shares of the Company and of its related corporations of those who were Directors at the end of the financial year are as follows:-

	At 1.1.2017/ Date of Appointment	Number of ordinary shares		At 31.12.2017
		Bought	Sold	
Interest in the Company				
Direct interest				
Tan Jeck Min	–	55,129,768	–	55,129,768
Teo Chong Meng Philip Dominic	250,000	35,000,000	–	35,250,000
Tan Wee Seng Gerard	500,000	–	–	500,000
John Chin Shoo Ted	135,000	–	–	135,000
Kok Cheang-Hung	21,000	–	–	21,000

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

The amount of indemnity insurance premium paid for Directors of the Company during the financial year amounted to RM36,000.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:-

- (a) 22,256,568 new ordinary shares at issue price of RM0.1941 for the total consideration of RM4,320,000 pursuant to the acquisition of subsidiary as disclosed in Note 6 to the financial statements;
- (b) 14,150,000 and 12,850,000 new ordinary shares at issue price of RM0.79 and RM0.84 respectively for a total consideration of RM21,972,500 pursuant to the private placement; and
- (c) 30,612,245 new ordinary shares at issue price of RM0.98 for the total consideration of RM30,000,000 pursuant to the acquisition of subsidiary as disclosed in Note 6 to the financial statements.

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

The Company did not issue any debenture during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts is required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of the Group and of the Company operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

The significant events during and after the financial year are disclosed in Note 32 to the financial statements.

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

There was no indemnity given to or insurance effected for the auditors of the Company.

The auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

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

DIRECTORS

Singapore
20 April 2018

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STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 57 to 119 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

.....
TEO CHONG MENG PHILIP DOMINIC

.....
TAN JECK MIN

Singapore
20 April 2018

STATUTORY DECLARATION

I, **Tan Jeck Min**, being the Director primarily responsible for the financial management of **Kronologi Asia Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 57 to 119 are correct and I make this solemn declaration by virtue of the provisions of the Oaths and Declarations Act (Cap. 211), and subject to the penalties provided by that Act for the making of false statement in statutory declarations, conscientiously believing the same to be true in every particular.

Subscribed and solemnly declared by)
the abovenamed at Singapore on this)
day of 20 April 2018)
)

.....
TAN JECK MIN

Before me:

Notary Public

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KRONOLOGI ASIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kronologi Asia Berhad, which comprise the Statements of Financial Position as at 31 December 2017 of the Group and of the Company, the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 119.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Inventory valuation (Group)

The risk –

Judgement is required to assess the appropriate level of provisioning for items which may be ultimately sold below cost.

The Group and the Company are primarily involved in the provision of business consulting, designing of solutions and research and development relating to new and emerging information technology software, application, multimedia development, information systems, data management software, data protection solutions and process, system back-up and disaster recovery system which are subject to changing consumer demands and technology changes, increasing the level of judgement is involved in estimating provisions.

Our response –

We have tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historic data used in estimating the provisions.

In doing so we understood the ageing profile of inventory, the process for identifying specific problem inventory and historic loss rates.

We have also attended physical inventory counts in warehouse within the scope of our audit. We have performed our own sample counts and checked that the accounting records reflected these physical counts.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**Key Audit Matters (cont'd)****Valuation of intangible assets with indefinite useful lives (Group and Company)****The risk –**

Intangible assets with indefinite useful lives mainly consist of capitalised development costs related to the FABRIK framework.

The Group and the Company review the carrying amounts of these non-current assets annually or more frequently if impairment indicators are present. Estimating the recoverable amount of the assets requires critical management judgement including estimates of future sales, gross margins, operating costs, terminal value growth rates, capital expenditures and the discount rate and the assumptions inherent in those estimates.

The annual impairment test is significant to our audit because the assessment process is complex and requires significant judgement. The Group and the Company disclosed the nature and value of the assumptions used in the impairment analyses in Note 7 to the financial statements.

Our response –

We obtained an understanding of the impairment assessment processes and evaluated the design and tested the effectiveness of controls in this area relevant to our audit.

Our focus included evaluating the work of the management used for the valuation, evaluating and testing key assumptions used in the valuation including projected future income and earnings and testing the allocation of the assets, liabilities, revenues and expenses. Overall, we found that the costs capitalised were supportable and consistent with the requirements of accounting standards for capitalising such costs.

Risk of fraud in revenue recognition (Group)**The risk –**

ISA 315 presume that we consider the risk of fraud arising in revenue recognition. Whilst revenue recognition and measurement are not complex for the Group, revenue targets form part of the Group's key performance measures which could create an incentive to record revenue incorrectly.

We focused on this area given the magnitude of revenue transactions that occur.

The Group's disclosures relating to revenue are in Notes 3.10, 17 and 22 to the financial statements.

Our response –

We performed walkthroughs of each significant class of revenue transactions and assessed the design effectiveness of key controls. For a number of components, we tested the operating effectiveness of controls. We also tested journal entries posted to revenue accounts to identify unusual or irregular items.

For products and services where the risks and rewards are transferred over a period of time, we tested a sample of transactions to ensure that the amount of revenue was accurately calculated based on the state of completion of the contract and appropriately recognised. We understood and challenged the appropriateness of revenue recognition policies.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**Key Audit Matters (cont'd)****Valuation of goodwill (Group)****The risk –**

MFRS 136 requires goodwill to be tested for impairment annually. We focused on this area due to complexity of the assessment process which involves complex and subjective judgements by the Directors about the future results of the relevant parts of the business.

The Group disclosed the nature and value of the assumptions used in the impairment analyses in Note 5 to the financial statements.

Our response –

Our procedures included the verification of management's assumptions used in their impairment models. We have reviewed the methodology and challenged the results of the impairment test prepared by management.

We assessed the historical accuracy of management's budgets and forecasts and sought appropriate evidence for any anticipated improvements in major assumptions such as production volumes or cost reductions.

We consider the accuracy of management's estimates to have been reasonable for the current year with assumptions within an acceptable range. Management have also reflected known changes in the circumstances of each cash-generating unit in their forecasts for forthcoming periods.

Acquisition of Quantum Storage (Hong Kong) Limited ("QHK") (Group)**The risk –**

Accounting for acquisitions requires the exercise of judgements over the accounting and disclosure for the transactions.

We focused on this area as it requires a significant amount of management estimation and judgement relating to the fair value, purchase price allocation to the assets and liabilities acquired, and resulting goodwill.

The Group's disclosures relating to the acquisition are in Note 6 to the financial statements.

Our response –

In responding to this area of focus, our procedures included the following:

- evaluating the accounting entries that were made for the acquisition accounting for QHK;
- evaluating the work performed by management's valuation experts including the recognition of goodwill as disclosed in Note 5 to the financial statements;
- evaluating management's identification of assets and liabilities acquired;
- obtaining and studying the Sales and Purchase Agreement, board minutes and circular to shareholders relating the acquisition; and
- reviewed the appropriateness of the related disclosures.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**Information other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

HOOI KOK MUN
(NO: 02207/01/2020(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
20 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	9,815,737	9,349,199	302,112	332,717
Goodwill on consolidation	5	62,358,187	26,384,295	–	–
Investment in subsidiaries	6	–	–	62,764,100	17,764,100
Intangible assets	7	4,061,883	3,286,677	4,061,883	3,286,677
Other receivables	8	1,124,961	918,702	–	–
Deferred tax assets	9	72,836	57,823	–	–
Total non-current assets		77,433,604	39,996,696	67,128,095	21,383,494
Current assets					
Inventories	10	36,593,232	15,436,312	–	–
Trade receivables	11	42,474,491	25,423,756	–	457,471
Other receivables	8	4,830,718	4,236,174	167,870	112,870
Amount due from subsidiaries	12	–	–	12,643,653	9,071,493
Tax recoverable		63,350	–	–	–
Cash and bank balances	13	35,100,396	8,277,342	20,393,732	651,853
Total current assets		119,062,187	53,373,584	33,205,255	10,293,687
Total assets		196,495,791	93,370,280	100,333,350	31,677,181
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	14	81,104,128	24,811,628	81,104,128	24,811,628
Share premium	14	10,493,584	10,493,584	10,493,584	10,493,584
Merger deficit	15	(17,406,096)	(17,406,096)	–	–
Exchange translation reserve	16	2,291,543	6,326,896	–	–
Retained earnings/(Accumulated losses)		33,414,653	21,351,722	(6,592,598)	(3,843,273)
Total equity		109,897,812	45,577,734	85,005,114	31,461,939

Statements of Financial Position (cont'd)

AS AT 31 DECEMBER 2017

	Note	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
LIABILITIES					
Non-current liabilities					
Deferred income	17	3,219,141	3,876,931	—	—
Finance lease liabilities	18	1,434,371	47,950	—	—
Other payables	19	78,254	6,989,709	—	—
Deferred tax liabilities	9	868,740	121,642	—	—
Total non-current liabilities		5,600,506	11,036,232	—	—
Current liabilities					
Trade payables	20	31,605,612	14,367,693	—	—
Other payables	19	27,767,484	11,947,635	15,308,736	215,242
Deferred income	17	6,778,279	6,185,855	—	—
Finance lease liabilities	18	1,181,843	492,914	—	—
Borrowings	21	13,121,831	3,323,075	—	—
Current tax payable		542,424	439,142	19,500	—
Total current liabilities		80,997,473	36,756,314	15,328,236	215,242
Total liabilities		86,597,979	47,792,546	15,328,236	215,242
Total equity and liabilities		196,495,791	93,370,280	100,333,350	31,677,181

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Revenue	22	144,369,626	81,281,551	456,171	911,576
Cost of sales		(110,612,155)	(59,351,592)	(51,042)	(439,571)
Gross profit		33,757,471	21,929,959	405,129	472,005
Other income		2,572,449	483,492	174,599	13,668
Selling and distribution expenses		(11,088,232)	(8,786,978)	–	–
Administrative expenses		(11,793,155)	(6,473,903)	(3,277,426)	(1,892,339)
Share of results of equity-accounted associate		–	561,031	–	–
Finance cost		(469,380)	(166,969)	–	–
Profit/(Loss) before tax	23	12,979,153	7,546,632	(2,697,698)	(1,406,666)
Tax expense	25	(916,222)	(384,537)	(51,627)	–
Profit/(Loss) for the financial year, attributable to the owners of the Company		12,062,931	7,162,095	(2,749,325)	(1,406,666)
Other comprehensive income:- Item that will be reclassified subsequently to profit or loss					
Exchange translation differences		(4,035,353)	1,824,591	–	–
Total comprehensive income/(loss) for the financial year, attributable to the owners of the Company		8,027,578	8,986,686	(2,749,325)	(1,406,666)
Earnings per share attributable to the owners of the Company (sen)	26				
- Basic		4.36	2.99		
- Diluted		4.10	2.79		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company					
		Non-distributable			Distributable		
	Note	Share capital RM	Share premium RM	Merger deficit RM	Exchange translation reserve RM	Retained earnings RM	Total RM
Group							
Balance as at 1 January 2016		23,698,800	9,671,806	(17,406,096)	4,502,305	14,189,627	34,656,442
Exchange translation differences		–	–	–	1,824,591	–	1,824,591
Profit for the financial year		–	–	–	–	7,162,095	7,162,095
Total comprehensive income for the financial year		–	–	–	1,824,591	7,162,095	8,986,686
Transactions with owners:							
Issuance of share capital	14	1,112,828	1,047,172	–	–	–	2,160,000
Transaction costs for issuance of share capital	14	–	(225,394)	–	–	–	(225,394)
Total transaction with owners of the Company		1,112,828	821,778	–	–	–	1,934,606
Balance as at 31 December 2016		24,811,628	10,493,584	(17,406,096)	6,326,896	21,351,722	45,577,734
Exchange translation differences		–	–	–	(4,035,353)	–	(4,035,353)
Profit for the financial year		–	–	–	–	12,062,931	12,062,931
Total comprehensive income for the financial year		–	–	–	(4,035,353)	12,062,931	8,027,578
Transaction with owners:							
Issuance of share capital	14	56,292,500	–	–	–	–	56,292,500
Balance as at 31 December 2017		81,104,128	10,493,584	(17,406,096)	2,291,543	33,414,653	109,897,812

Statements of Changes in Equity (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Attributable to owners of the Company			Total RM
		Share capital RM	Share premium RM	Distributable Accumulated losses RM	
Company					
Balance as at 1 January 2016		23,698,800	9,671,806	(2,436,607)	30,933,999
Total comprehensive loss for the financial year		–	–	(1,406,666)	(1,406,666)
Transactions with owners:					
Issuance of share capital	14	1,112,828	1,047,172	–	2,160,000
Transaction costs for issuance of share capital	14	–	(225,394)	–	(225,394)
		1,112,828	821,778	–	1,934,606
Balance as at 31 December 2016		24,811,628	10,493,584	(3,843,273)	31,461,939
Total comprehensive loss for the financial year		–	–	(2,749,325)	(2,749,325)
Transaction with owners:					
Issuance of share capital	14	56,292,500	–	–	56,292,500
Balance as at 31 December 2017		81,104,128	10,493,584	(6,592,598)	85,005,114

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		12,979,153	7,546,632	(2,697,698)	(1,406,666)
Adjustments for:-					
Amortisation of intangible assets		51,042	35,939	51,042	35,939
Depreciation of property, plant and equipment		4,547,910	3,852,462	34,402	9,126
Gain on disposal of property, plant and equipment		(16,557)	(8,573)	—	—
Impairment loss on trade receivables		—	266,798	—	—
Interest expense		469,380	166,969	—	—
Interest income		(254,514)	(12,168)	(171,599)	(12,168)
Inventories write-down		6,422	145,803	—	—
Property, plant and equipment written off		47,068	40,038	—	—
Reversal of impairment loss on investment in an associate		—	(54)	—	—
Reversal of impairment loss on trade receivables		(277,447)	—	—	—
Reversal of inventories write-down		(24,017)	(1,993,039)	—	—
Share of results of equity-accounted associate		—	(561,031)	—	—
Unrealised loss/(gain) on foreign exchange		2,269,396	(1,082,492)	266,838	(145,176)
Operating profit/(loss) before working capital changes		19,797,836	8,397,284	(2,517,015)	(1,518,945)
Changes in working capital:-					
Inventories		(13,793,847)	16,900,234	—	—
Receivables		(2,128,099)	4,354,723	402,471	(323,103)
Payables		(11,378,300)	(27,479,433)	93,494	(73,821)
Deferred income		(2,235,072)	298,104	—	—
Former associate		—	1,833,743	—	—
Cash (used in)/generated from operations		(9,737,482)	4,304,655	(2,021,050)	(1,915,869)
Interest received		254,514	12,168	171,599	12,168
Tax paid		(277,068)	(159,995)	(32,127)	—
Net cash (used in)/from operating activities		(9,760,036)	4,156,828	(1,881,578)	(1,903,701)

Statements of Cash Flows (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(2,876,681)	(1,445,090)	(3,797)	(341,843)
Proceeds from disposal of property, plant and equipment		398,390	75,512	–	–
Net repayment from subsidiaries	B	–	–	481,002	130,765
Acquisition of subsidiaries, net of cash acquired (Note 6)		8,638,137	(1,543,091)	–	–
Additions of intangible assets (Note 7)		(826,248)	(809,738)	(826,248)	(809,738)
Net cash from/(used in) investing activities		5,333,598	(3,722,407)	(349,043)	(1,020,816)
FINANCING ACTIVITIES					
Proceeds from issuance of share capital		21,972,500	–	21,972,500	–
Transaction cost for issuance of share capital		–	(225,394)	–	(225,394)
Repayment of finance lease liabilities		(358,583)	(1,237,291)	–	–
Net drawdown/(repayment) of borrowings		10,684,534	(564,704)	–	–
Interest paid		(469,380)	(166,969)	–	–
Net cash from/(used in) financing activities		31,829,071	(2,194,358)	21,972,500	(225,394)
CASH AND CASH EQUIVALENTS					
Net movement		27,402,633	(1,759,937)	19,741,879	(3,149,911)
Effect of exchange translation differences		(579,579)	(430,480)	–	–
At beginning of the financial year		8,277,342	10,467,759	651,853	3,801,764
At end of the financial year		35,100,396	8,277,342	20,393,732	651,853

Statements of Cash Flows (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment with aggregate costs of RM5,243,827 (2016: RM1,445,090) of which RM2,367,146 (2016: Nil) were acquired by means of finance lease arrangements. Cash payments of RM2,876,681 (2016: RM1,445,090) were made by the Group to purchase these property, plant and equipment.

B. NET REPAYMENT FROM SUBSIDIARIES

The issuance of share capital in relation to acquire a subsidiary amounted to RM4,320,000 (2016 : RM2,160,000) was set off with amount due from subsidiaries.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Group Finance lease liabilities
	2017	2016
	RM	RM
At 1 January 2017	3,323,075	540,864
Cash flows from financing activities	10,684,534	(358,583)
Purchase of property, plant and equipment	–	2,367,146
Foreign currency translation differences	(885,778)	(77,243)
Unrealised loss on foreign exchange	–	144,030
At 31 December 2017	13,121,831	2,616,214

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company was incorporated and domiciled in Malaysia. The registered office and the principal place of business of the Company are located at Third Floor, No.79 (Room A), Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan and Level 28-D, Axiata Tower, No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan respectively.

The principal activities of the Company consist of investment holding and the provisions of business consulting, designing of solutions and research and development relating to new and emerging information technology software, applications, multimedia development, information systems, data management software, data protection solutions and processes, system back-up and disaster recovery systems and related businesses. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 April 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

2. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement (cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

(d) Adoption of amendments/improvements to MFRSs and IC Interpretations ("IC Int")

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the financial statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/improvements to MFRSs and IC Int which are mandatory for the financial period beginning on or after 1 January 2017.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except for:

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information is provided in the statements of cash flows. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period.

2. BASIS OF PREPARATION (CONT'D)

(e) Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4*#	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)
Amendments to MFRS 7	Financial Instruments – Disclosure: Mandatory Effective date of MFRS 9 and Transition Disclosure
Amendments to MFRS 140	Investment Property: Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)*#	

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9*#	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits
Amendments to MFRS 128	Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Venture
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle*#	

MFRS effective 1 January 2021:

MFRS 17*#	Insurance Contracts
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Amendments to MFRSs - effective date deferred indefinitely

Amendments to MFRS 10 and MFRS 128*	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's operation

Not applicable to the Group's operations

2. BASIS OF PREPARATION (CONT'D)

(e) Standards issued but not yet effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for:

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group plans to adopt the new standard on the required effective date. During 2017, the Group has performed a high-level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

(i) Classification and measurement of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Based on the preliminary assessment, the Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under MFRS 9. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

2. BASIS OF PREPARATION (CONT'D)

(e) Standards issued but not yet effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):

MFRS 9 Financial Instruments (cont'd)

(ii) Classification of financial liabilities (cont'd)

However, under MFRS 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's assessment did not indicate any material impact if MFRS 9's requirements regarding the classification of financial liabilities is applied.

(iii) Impairment

MFRS 9 requires the Group to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that the loss allowance is insignificant to the financial statements.

(iv) Transition

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below:

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts (if any) of financial assets and financial liabilities resulting from the adoption of MFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

In summary, the Group expects no significant impact of MFRS 9 adoption.

2. BASIS OF PREPARATION (CONT'D)**(e) Standards issued but not yet effective (cont'd)**

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of MFRS 15, which was continued with a more detailed analysis completed in 2017.

(i) Sale of goods

For contracts with customers in which the sales of goods is generally expected to be the only performance obligation, adoption of MFRS 15 is not expected to have any impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to adopt MFRS 15, the Company has considered variable consideration and rights of return and expects that the adoption of MFRS 15 will not have a significant impact to the financial statements.

(ii) Rendering of services

The Group's services are sold either on their own in contracts with the customers or bundled together with the sale of equipment to a customer. Currently, the Group accounts for the equipment and service as separate deliverables of bundled sales and allocates consideration between these deliverables using their fair values (i.e. consideration receivable for each separate service). Under MFRS 15, allocation will be made based on relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales would be affected.

The Group assessed that when MFRS 15 is adopted, the current reporting year would be adjusted such that profit would decrease by RM1,137,910 because of re-allocation of the portion of contract consideration that, under MFRS 118, was allocated to sales of goods and/or installation services and current portion of deferred revenue would be increased by RM2,812,590, accruals would be decreased by RM922,924 and prepayments would increase by RM751,756. The effect on prior periods would be a decrease in opening retained earnings by RM1,443,873.

The Group concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under MFRS 15 the Group would continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)**(e) Standards issued but not yet effective (cont'd)**

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):

MFRS 15 Revenue from Contracts with Customers (cont'd)**(iii) Presentation and disclosure requirements**

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in MFRS 15 are new and the Company has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by MFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017, the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

(iv) Other adjustments

In addition to the major adjustments described above, the recognition and measurement requirements in MFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property, plant and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Company.

In summary, the impact of MFRS 15 adoption is expected to be, as follows:

Impact on equity (increase/(decrease)) as of 31 December 2017 (1 January 2017: RM 1,443,873):

	RM
Asset	
Other receivables	751,756
Total asset	751,756
Liabilities	
Current liabilities	
Accruals	(922,924)
Deferred revenue	2,812,590
Total current liabilities/ total liabilities	1,889,666
Net impact on equity/retained earnings	(1,137,910)

2. BASIS OF PREPARATION (CONT'D)**(e) Standards issued but not yet effective (cont'd)**

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):

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

In summary, the impact of MFRS 15 adoption is expected to be, as follows (cont'd):

Impact on the statement of profit or loss (increase/(decrease)) for 2017:

	RM
Revenue	(2,812,590)
Cost of sales	1,674,680
Net impact on profit for the year	(1,137,910)
Attributable to:	
Equity holders of the parent	(1,137,910)

Impact on basic and diluted earnings per share (EPS):

	Decrease RM
Earnings per share (sen)	
- Basic	(0.41)
- Diluted	(0.39)

MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (i.e., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

2. BASIS OF PREPARATION (CONT'D)

(e) Standards issued but not yet effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):

MFRS 16 Leases (cont'd)

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to assess the potential effect of MFRS 16 on its consolidated financial statements in 2018.

(f) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgement, estimate and assumption made by management, and will seldom equal the estimated results.

Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

Useful lives of depreciable assets

Property, plant and equipment are depreciated on a straight-line basis over their useful life. Management estimates the useful lives of the property, plant and equipment to be within 1 to 5 years and reviews the useful lives of depreciable assets at each end of the reporting year. As at 31 December 2017, management assesses that the useful lives represent the expected utilisation of the assets to the Group and the Company.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and intangible assets are disclosed in Notes 5 and 7 to the financial statements.

2. BASIS OF PREPARATION (CONT'D)**(f) Significant accounting estimates and judgements (cont'd)****Estimation uncertainty (cont'd)****Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

The carrying amount of the Group's inventories at the end of the financial year is disclosed on Note 10 to the financial statements.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation of net realisable values hence it would not result in material variance in the Group's profit for the financial year.

Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that the loan and receivables are impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The carrying amount of the Group's and of the Company's loans and receivables at the end of the reporting year are disclosed in Notes 8, 11 and 12 to the financial statements.

Income tax/Deferred tax assets/Deferred tax liabilities

The Group and the Company are exposed to income taxes. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. BASIS OF PREPARATION (CONT'D)

(f) Significant accounting estimates and judgements (cont'd)

Estimation uncertainty (cont'd)

Income tax/Deferred tax assets/Deferred tax liabilities (cont'd)

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management 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.

The carrying amount of the Group's provision for taxation, deferred tax assets and deferred tax liabilities at the end of the reporting year, are disclosed on the face of statements of financial position and in Notes 9 and 25 to the financial statements respectively.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Research and development costs

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data.

The Group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements, unless otherwise stated.

3.1 Consolidation

Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance with MFRS 112 Income Taxes.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any other separately identifiable reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

Business combinations and goodwill

Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

Loss of control

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.

3.2 Foreign currency transactions and balances

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss respectively).

Foreign operations

The assets and liabilities of foreign operations are dominated in functional currencies other than Ringgit Malaysia ("RM") including goodwill and fair value adjustments arising on acquisition, are translated into RM at the rate of exchange prevailing at the end of the reporting date and their profit or loss and other comprehensive income are translated at average rate over the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operations, the component of other comprehensive income relating to that particular foreign operations is recognised in the profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost or valuation of each asset over its estimated useful life. Annual depreciation based on the estimated useful lives of the assets are as follows:

Cloud computing assets	1 - 5 years
Office equipment	5 years
Furniture and fittings	5 years
Renovation	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, exclude capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the period in which it incurred.

The useful life of intangible assets is assessed to be either finite or indefinite.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets (cont'd)

Definite life

Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Indefinite life

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred.

Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development.

3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance leases

Leases in terms of which the Group assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Finance leases (cont'd)

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.6 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets - categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- (a) financial assets at fair value through profit or loss;
- (b) held-to-maturity investments;
- (c) loans and receivables; and
- (d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

Financial assets - categorisation and subsequent measurement (cont'd)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset 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 (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

At the reporting date, the Group and the Company carried only loans and receivables on their statements of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, amount due from subsidiaries, trade and other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting date which are classified as non-current.

Financial liabilities - categorisation and subsequent measurement

After the initial recognition, financial liability is classified as:

- (a) financial liability at fair value through profit or loss;
- (b) other financial liabilities measured at amortised cost using the effective interest method; and
- (c) financial guarantee contracts.

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

At the reporting date, the Group and the Company carried only other financial liabilities measured at amortised cost on their statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

Financial liabilities - categorisation and subsequent measurement (cont'd)

Other financial liabilities

The Group's and the Company's financial liabilities include trade payables, other payables, finance lease liabilities and borrowings.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate write down has been made for deteriorated, obsolete and slow-moving inventories. Cost of inventories is determined on a first-in, first-out basis. Cost comprises cost of purchase and other costs incurred 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.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and highly liquid investments which have an insignificant risk of changes in value.

3.9 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, 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 a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sale of goods

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

Rendering of services

Revenue from services rendered is recognised when services are rendered and upon customers' acceptance. Maintenance revenue is recognised on accrual basis for the support of the sale of goods to the customer over the period of maintenance contract on a straight-line basis.

Licensing fee

Revenue from licensing fee is recognised on an accrual basis for the licensing of right to use the FABRiK framework over the period of the contract on a straight-line basis.

Interest income

Interest income is recognised on an accrual basis using the effective interest method in profit or loss.

Deferred income

Revenue invoiced where services have not been rendered at reporting date is recognised as deferred income.

3.11 Employee benefits

Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Employee benefits (cont'd)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting year.

3.12 Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with borrowing of funds.

3.13 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss.

Current tax

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

Current tax is recognised in the financial statements as a liability (or an asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax expense (cont'd)

Deferred tax (cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Impairment of non-financial assets

At each reporting date, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication of impairment.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs 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 risks specific to the asset. Impairment losses are recognised in the profit or loss immediately in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

For assets excluding goodwill and intangible assets with indefinite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or cash-generating unit's recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at each reporting date, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of a provision account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss.

Loans together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Equity, reserve and distributions to owners

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Retained earnings include all current and prior years' retained profits.

All transactions with owners of the Company are recorded separately within equity.

3.17 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. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decision about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

3.18 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.19 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) the entity and the Group are members of the same group.
 - (b) one entity is an associate or joint venture of the other entity.
 - (c) both entities are joint ventures of the same third party.
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
 - (f) the entity is controlled or jointly-controlled by a person identified in (i) above.
 - (g) a person identified in (i)(1) above which has significant influence over the entity or is a member of the key management personnel of the entity.
 - (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Notes to the Financial Statements (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Cloud computing assets RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Total RM
Group Cost						
At 1 January 2016	17,180,598	1,047,890	134,840	669,018	267,301	19,299,647
Acquisition of a subsidiary	2,006,201	69,808	–	12,297	–	2,088,306
Additions	943,338	119,423	237,649	144,680	–	1,445,090
Disposals	(99,225)	(28,441)	–	–	–	(127,666)
Written off	(66,685)	(327,970)	–	–	–	(394,655)
Foreign currency translation differences	680,402	22,876	7,753	28,772	11,323	751,126
At 31 December 2016	20,644,629	903,586	380,242	854,767	278,624	23,061,848
Acquisition of a subsidiary	1,457,163	23,971	24,989	106,271	–	1,612,394
Additions	5,064,788	177,924	–	1,115	–	5,243,827
Disposals	(823,921)	–	–	–	–	(823,921)
Written off	(123,494)	(203,440)	(7,204)	(56,724)	–	(390,862)
Foreign currency translation differences	(1,233,318)	(67,706)	(15,983)	(65,362)	(26,857)	(1,409,226)
At 31 December 2017	24,985,847	834,335	382,044	840,067	251,767	27,294,060
Accumulated depreciation						
At 1 January 2016	7,491,851	750,283	73,521	443,258	80,190	8,839,103
Acquisition of a subsidiary	909,437	49,593	–	7,288	–	966,318
Charge for the financial year	3,513,031	119,506	32,829	135,632	51,464	3,852,462
Disposals	(32,286)	(28,441)	–	–	–	(60,727)
Written off	(26,647)	(327,970)	–	–	–	(354,617)
Foreign currency translation differences	415,221	13,893	5,134	28,204	7,658	470,110
At 31 December 2016	12,270,607	576,864	111,484	614,382	139,312	13,712,649
Acquisition of a subsidiary	651,520	21,232	16,241	75,661	–	764,654
Charge for the financial year	4,189,730	167,417	50,466	87,131	53,166	4,547,910
Disposals	(442,088)	–	–	–	–	(442,088)
Written off	(92,519)	(202,112)	(7,202)	(41,961)	–	(343,794)
Foreign currency translation differences	(627,746)	(46,644)	(11,285)	(59,091)	(16,242)	(761,008)
At 31 December 2017	15,949,504	516,757	159,704	676,122	176,236	17,478,323
Net carrying amount						
At 31 December 2017	9,036,343	317,578	222,340	163,945	75,531	9,815,737
At 31 December 2016	8,374,022	326,722	268,758	240,385	139,312	9,349,199

The carrying amount of the cloud computing assets and motor vehicles held under finance lease are RM3,858,695 (2016: RM1,507,102) and RM75,531 (2016: RM139,312) respectively at the end of the financial year.

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

	Renovation RM	Office equipment RM	Furniture and fittings RM	Total RM
Company Cost				
At 1 January 2016	–	–	–	–
Additions	121,733	10,289	209,821	341,843
At 31 December 2016	121,733	10,289	209,821	341,843
Additions	1,115	2,682	–	3,797
At 31 December 2017	122,848	12,971	209,821	345,640
Accumulated depreciation				
At 1 January 2016	–	–	–	–
Charge for the financial year	3,043	838	5,245	9,126
At 31 December 2016	3,043	838	5,245	9,126
Charge for the financial year	12,237	1,184	20,981	34,402
At 31 December 2017	15,280	2,022	26,226	43,528
Net carrying amount				
At 31 December 2017	107,568	10,949	183,595	302,112
At 31 December 2016	118,690	9,451	204,576	332,717

5. GOODWILL ON CONSOLIDATION

	2017 RM	Group 2016 RM
At 1 January	26,384,295	–
Acquisition of subsidiary	38,815,272	23,763,076
Effect on exchange translation differences	(2,841,380)	2,621,219
At 31 December	62,358,187	26,384,295

Goodwill has been allocated to the Group's cash-generating units ("CGU") identified in the foreign subsidiary's operations acquired.

Notes to the Financial Statements (cont'd)

5. GOODWILL ON CONSOLIDATION (CONT'D)

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5-year business plan.
- Revenue was projected at anticipated annual revenue growth of approximately 5.00% to 10.00% (2016: 8.50%) per annum.
- Expenses were projected at an annual increase of approximately 8.00% (2016: 8.00%) per annum.
- A pre-tax discount rate of range of approximately 17.62% (2016: between 7.00% and 7.36%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

With regards to the assessments of value-in-use of these CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	62,764,100	17,764,100

The details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation	Effective interest		Principal activities
		2017 %	2016 %	
Quantum Storage (South Asia) Pte. Ltd.* ("QSA")	Singapore	100	100	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.
Kronicles (Singapore) Pte. Ltd.*	Singapore	100	100	Managed services business providing a holistic comprehensive and automated daily backup targeted at medium sized enterprises.
Kronicles (Malaysia) Sdn. Bhd.	Malaysia	100	100	Managed services business providing a holistic comprehensive and automated daily backup targeted at medium sized enterprises.
Quantum Storage (Hong Kong) Limited ("QHK")*	British Virgin Islands	100	–	Investment holding and infrastructure technology business providing data protection, hardware and software solutions to enterprises.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):-

Name of subsidiaries	Country of incorporation	Effective interest		Principal activities
		2017 %	2016 %	
<u>Subsidiaries of QSA</u> Quantum Storage South Asia Sdn. Bhd.	Malaysia	100	100	Provision of administrative and support services to its holding company.
Quantum Storage (India) Pte Ltd* ("QSI")	Singapore	100	100	Investment holding and infrastructure technology business providing data protection, hardware and software solutions to enterprises.
<u>Subsidiary of QSI</u> Quantum Storage (India) Pvt Ltd*	India	100	100	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.
<u>Subsidiaries of QHK</u> Quantum Storage (Hong Kong) Limited*	Hong Kong	100	–	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.
Quantum Taiwan Limited*	Taiwan	100	–	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.

* The companies are audited by other firms of auditors.

Acquisition of subsidiaries**2017 - QHK**

On 9 October 2017, the Company entered into a conditional sale and purchase agreement ("SPAQHK") with a third party to acquire the entire issued and paid-up share capital of QHK for a purchase consideration of up to RM45,000,000.

The purchase consideration was satisfied through a mixture of allotment and issuance of up to 40,816,326 new ordinary shares of the Company ("Consideration Shares") and payment of a cash consideration component, details as follows:

- (i) 1st payment tranche: Payment of RM30,000,000 in which shall be fully satisfied by the allotment and issuance of 30,612,245 Consideration Shares by the Company, each credited as fully paid-up, at the issue price of RM0.98 per Consideration Share ("Issue Price"), on the completion date of the SPAQHK; and
- (ii) 2nd payment tranche: Payment of RM15,000,000, of which RM5,000,000 shall be satisfied in cash, and the remaining RM10,000,000 shall be satisfied by the allotment and issuance of 10,204,081 Consideration Shares by the Company, each credited as fully paid-up, at the Issue Price, upon QHK Group achieving the Profit Warranty of USD1,200,000 for financial year ended 31 December 2017.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

2017 - QHK (cont'd)

In the event that QHK Group fails to achieve the Profit Warranty, the consideration amount payable shall be adjusted downwards proportionately by a ratio of 1% of the 2nd Payment Consideration for every USD6,000 shortfall of the Profit Warranty if the relevant Profit Warranty are not met. The Profit Warranty was met for the financial year ended 31 December 2017.

2016 - QSI

On 22 July 2016, the Company entered into a conditional sale and purchase agreement ("SPAQSI") with a third party to acquire the remaining 80% of the issued and paid-up share capital of QSI for a purchase consideration of up to RM26,000,000. The Company held 20% of QSI through its wholly-owned subsidiary, QSA prior to the acquisition.

The purchase consideration was satisfied through a mixture of allotment and issuance of up to 55,641,420 new ordinary shares of the Company and payment of a cash consideration component, details as follows:

- (i) 1st payment tranche: Payment of RM12,160,000, of which RM 10,000,000 shall be satisfied in cash, and the remaining RM2,160,000 shall be satisfied by the allotment and issuance of 11,128,284 Consideration Shares by the Company, each credited as fully paid-up, at the issue price of RM0.1941 per Consideration Share ("Issue Price"), on the completion date of the SPAQSI;
- (ii) 2nd payment tranche: Payment of RM6,920,000, of which RM2,600,000 shall be satisfied in cash, and the remaining RM4,320,000 shall be satisfied by the allotment and issuance of 22,256,568 Consideration Shares by the Company, each credited as fully paid-up, at the Issue Price, upon QSI Group achieving the Profit Warranty of USD1,000,000 for financial year ended 31 December 2016; and
- (iii) 3rd payment tranche: Payment of RM6,920,000, of which RM2,600,000 shall be satisfied in cash, and the remaining RM4,320,000 shall be satisfied by the allotment and issuance of 22,256,568 Consideration Shares by the Company, each credited as fully paid-up, at the Issue Price, upon QSI Group achieving the Profit Warranty of USD1,000,000 for the financial year ended 2017.

In the event that QSI Group fails to achieve the Profit Warranty, the consideration amount payable shall be adjusted downwards proportionately by a ratio of 1/10 of each payment tranche for every USD100,000 shortfall of the Profit Warranty for each payment tranche if the relevant Profit Warranty are not met. The Profit Warranties were met for the financial year ended 31 December 2016 and 2017.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)**Acquisition of subsidiaries (cont'd)****Consideration transferred, assets recognised and liabilities assumed**

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2017 RM	2016 RM
Fair value of consideration:		
Cash consideration	–	10,000,000
Equity instruments issued	30,000,000	2,160,000
Contingent consideration recognised as at acquisition date	15,000,000	13,840,000
	45,000,000	26,000,000
Fair value of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	847,740	1,121,988
Inventories	9,568,301	6,307,830
Trade and other receivables	18,334,387	13,220,479
Deferred tax (liabilities)/asset	(133,263)	43,966
Amount due from related companies	–	303,130
Cash and cash equivalents	8,638,137	8,456,909
Trade and other payables	(30,990,044)	(22,187,230)
Amount due to related companies	–	(3,622,669)
Current tax liabilities	(80,530)	–
	6,184,728	3,644,403
Net cash (inflow)/outflow arising from acquisition of subsidiaries		
Purchase consideration settled in cash	–	10,000,000
Cash and cash equivalents acquired	(8,638,137)	(8,456,909)
	(8,638,137)	1,543,091
Goodwill recognised as a result of the acquisition as follows:		
Fair value of consideration	45,000,000	26,000,000
Fair value of identifiable net assets	(6,184,728)	(3,644,403)
Fair value of existing interest in the acquiree	–	854,698
Share of result on existing interest in acquiree	–	552,781
	38,815,272	23,763,076

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the subsidiaries into the Group's existing business.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)**Acquisition of subsidiaries (cont'd)****Consideration transferred, assets recognised and liabilities assumed (cont'd)****Acquisition-related costs**

The Group incurred acquisition-related costs of approximately RM716,000 (2016: RM317,000) related to external legal fees and due diligence costs. The expenses have been included in other operating expenses in the profit or loss.

Impact of the acquisition on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired subsidiaries have contributed RM15,366,071 and RM1,404,687 (2016: RM15,167,860 and RM1,379,093) to the Group's revenue and profit for the financial year respectively before any consolidation adjustments. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit for the financial year from its continuing operations would have been RM79,208,151 and RM5,268,475 (2016 : RM41,919,777 and RM4,175,671) respectively.

7. INTANGIBLE ASSETS

	Development cost RM	Software with definite useful life RM	Group and Company FABRiK framework with indefinite useful life RM	Total RM
Cost				
At 1 January 2016	–	179,694	2,333,184	2,512,878
Additions	809,738	–	–	809,738
At 31 December 2016	809,738	179,694	2,333,184	3,322,616
Additions	826,248	–	–	826,248
Reclassification	(102,944)	82,355	20,589	–
At 31 December 2017	1,533,042	262,049	2,353,773	4,148,864
Accumulated amortisation				
At 1 January 2016	–	–	–	–
Amortisation for the financial year	–	35,939	–	35,939
At 31 December 2016	–	35,939	–	35,939
Amortisation for the financial year	–	51,042	–	51,042
At 31 December 2017	–	86,981	–	86,981
Net carrying amount				
At 31 December 2017	1,533,042	175,068	2,353,773	4,061,883
At 31 December 2016	809,738	143,755	2,333,184	3,286,677

7. INTANGIBLE ASSETS (CONT'D)

The FABRIK framework represents processes, tools and best practices with establish standards and defines rules that the Group's apply in its daily operations and entire products and services delivery. The useful life of the framework is estimated to be indefinite because the management believes that there are no foreseeable limits to the period over which the processes and best practices are expected to generate net cash inflows to the Group. FABRIK framework is assessed for impairment on an annual basis.

The software with definite useful life represents software enhancements made to the components of FABRIK framework in order for it to deliver additional functionality. The useful life of the software is defined to be 5 years.

Impairment test review of FABRIK framework with indefinite useful life

During the financial year, the Group has carried out a review on the recoverable amount of its FABRIK framework. The recoverable amount of the FABRIK framework has been determined based on value in use calculations using cash-flow projections from financial budgets approved by management covering a five-year period.

Key assumptions used in value-in-use calculations

Key assumptions and managements approach to determine the values assigned to each key assumption are as follows:

- (i) License fee - The license fee is determined by management which is receivable from its subsidiary.
- (ii) Discount rate - The discount rate applied to the cash flows projection is 17.62% (2016 :14.58%) and is based on the weighted average cost of capital of the Company.
- (iii) Terminal value - The terminal value of the FABRIK framework is calculated using perpetuity approach, applying a constant growth rate beyond 5 years.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of FABRIK framework to materially exceed their recoverable amounts.

8. OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Prepayments	1,124,961	918,702	–	–
Current				
Non-trade receivables	1,130,450	727,718	65,160	–
Deposits	907,938	878,577	84,332	98,082
Prepayments	2,792,330	2,629,879	18,378	14,788
Total current	4,830,718	4,236,174	167,870	112,870
Total other receivables	5,955,679	5,154,876	167,870	112,870

Notes to the Financial Statements (cont'd)

8. OTHER RECEIVABLES (CONT'D)

	Group	
	2017 RM	2016 RM
Current		
Within one year	2,792,330	2,629,879
Non-current		
Later than one year but not later than two years	926,174	641,640
Later than two years but not later than five years	198,787	276,015
More than five years	–	1,047
	1,124,961	918,702
	3,917,291	3,548,581

Prepayments amounting to RM3,633,651 (2016: RM3,360,459) is in respect of trade transactions which are maintenance fees paid in advance to suppliers.

The foreign currency exposure profile of other receivables, denominated in a currency other than the respective functional currencies of the Group entities, are as follows:-

	Group	
	2017 RM	2016 RM
Singapore Dollar	574,457	691,706
Thai Baht	15,696	15,809
Indonesian Rupiah	42,039	46,875
Indian Rupee	664,150	726,273
New Taiwan Dollar	25,632	–
Hong Kong Dollar	102,664	–

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2017 RM	2016 RM
Deferred tax assets	72,836	57,823
Deferred tax liabilities	(868,740)	(121,642)
	(795,904)	(63,819)

The movement of deferred tax assets/(liabilities) is as follows:

At 1 January	(63,819)	111,844
Acquisition of subsidiary	(133,263)	43,966
Recognised in profit or loss	(632,492)	(211,284)
Foreign currency translation differences	33,670	(8,345)
At 31 December	(795,904)	(63,819)

Property, plant and equipment	(822,254)	(119,097)
Provisions	26,350	47,598
Others	–	7,680
	(795,904)	(63,819)

Deferred tax assets that have not been recognised in respect of the following items due to uncertainty of probable future taxable profit will be available against which the Group and the Company can utilise the benefits:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Property, plant and equipment	(62,955)	(70,549)	(57,657)	(70,549)
Provisions	59,300	–	–	–
Unabsorbed business losses	5,959,636	5,647,914	5,117,517	4,330,155
Unutilised capital allowances	131,837	33,483	51,144	33,483
Enhanced special incentive	8,513,047	–	–	–
	14,600,865	5,610,848	5,111,004	4,293,089

Notes to the Financial Statements (cont'd)

10. INVENTORIES

	2017 RM	Group 2016 RM
Trading goods	36,593,232	15,436,312
Recognised in profit or loss:		
Inventories recognised as cost of sales	93,554,883	48,636,949
Inventories write-down	6,422	145,803
Reversal of inventories write-down	(24,017)	(1,993,039)

11. TRADE RECEIVABLES

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Trade receivables	42,474,491	25,699,867	–	457,471
Less : Impairment losses				
At 1 January	(276,111)	–	–	–
Recognised	–	(266,798)	–	–
Reversal	277,447	–	–	–
Foreign currency translation differences	(1,336)	(9,313)	–	–
At 31 December	–	(276,111)	–	–
	42,474,491	25,423,756	–	457,471

The impairment loss on trade receivables was reversed during the financial year as a result of subsequent receipts.

The normal trade credit terms granted by the Group and the Company to the trade receivables range from 7 to 90 days (2016: 60 to 90 days).

Trade receivables are recognised at their original invoice amounts which represent their fair value at initial recognition.

The foreign currency exposure profile of the trade receivables, denominated in a currency other than the respective functional currencies of the Group entities, are as follows:-

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
US Dollar	851,966	–	–	–
Singapore Dollar	999,181	5,262,804	–	457,471
Indian Rupee	626,467	1,745,649	–	–
British Pound	–	617,952	–	–
Euro	991,290	282,811	–	–
New Taiwan Dollar	141,866	–	–	–
Hong Kong Dollar	674,339	–	–	–

12. AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries represents non-trade, unsecured interest free advances in which are receivable on demand.

The foreign currency exposure profile of amount due from subsidiaries are as follows:-

	Company	
	2017 RM	2016 RM
US Dollar	2,320,908	2,606,538
Singapore Dollar	1,211,810	2,286,213

13. CASH AND BANK BALANCES

The foreign currency exposure profile of the cash and bank balances, denominated in a currency other than the respective functional currencies of the Group entities, are as follows:-

	Group	
	2017 RM	2016 RM
US Dollar	4,089,309	191
Singapore Dollar	772,436	2,951,897
Thailand Baht	557	939
Philippines Peso	406	1,755
Indian Rupee	496,031	648,766
Indonesian Rupiah	6,170	5,109
New Taiwan Dollar	96,039	–
Hong Kong Dollar	52,108	–

14. SHARE CAPITAL

	Group and Company			
	No. of ordinary shares		Amount	
	2017 Unit	2016 Unit	2017 RM	2016 RM
Issued and fully paid:-				
At 1 January	248,116,284	236,988,000	24,811,628	23,698,800
Issued during the financial year pursuant to:				
- Private placement	27,000,000	–	21,972,500	–
- Acquisition of subsidiaries	52,868,813	11,128,284	34,320,000	1,112,828
	79,868,813	11,128,284	56,292,500	1,112,828
At 31 December	327,985,097	248,116,284	81,104,128	24,811,628

14. SHARE CAPITAL**Share premium**

	Group and Company	
	2017	2016
	RM	RM
At 1 January	10,493,584	9,671,806
Issuance of share capital for the acquisition of a subsidiary	–	1,047,172
Transaction costs for issued share capital	–	(225,394)
At 31 December	10,493,584	10,493,584

The Companies Act, 2016 ("the Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Sections 618(3) of the Act.

15. MERGER DEFICIT

The merger deficit arises as and when the combination takes place, where the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired.

16. EXCHANGE TRANSLATION RESERVE

The exchange translation reserve comprises foreign exchange differences arising from the translation of financial statements of foreign subsidiaries.

17. DEFERRED INCOME

	Group and Company	
	2017	2016
	RM	RM
Current		
Within one year	6,778,279	6,185,855
Non-current		
Later than one year but not later than two years	1,977,781	2,059,539
Later than two years but not later than five years	1,241,360	1,811,088
More than five years	–	6,304
	3,219,141	3,876,931
	9,997,420	10,062,786

18. FINANCE LEASE LIABILITIES

	2017 RM	Group 2016 RM
Minimum lease payments		
Payable within one year	1,336,542	506,747
Payable after one year but not later than two years	1,320,296	33,217
Payable after two years but not later than five years	179,870	16,609
	2,836,708	556,573
Less: Interest in suspense	(220,494)	(15,709)
	2,616,214	540,864
Present value of minimum lease payments		
Current:		
Payable within one year	1,181,843	492,914
Non-current:		
Payable after one year but not later than two years	1,256,050	31,529
Payable after two years but not later than five years	178,321	16,421
	1,434,371	47,950
	2,616,214	540,864

The average effective finance lease rate is between 6.22% and 7.47% (2016: 6.22% and 6.80%) per annum.

The lease terms range from 3 to 5 years (2016: 3 to 5 years) and are on fixed repayment bases. All leases obligations are denominated in Singapore Dollar.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Notes to the Financial Statements (cont'd)

19. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Non-trade payables	78,254	6,989,709	–	–
Current				
Non-trade payables	22,736,064	7,390,122	15,115,092	41,291
Accrual of expenses	4,597,714	4,465,638	193,644	173,951
Deposits received from customers	433,706	91,875	–	–
Total current	27,767,484	11,947,635	15,308,736	215,242
Total other payables	27,845,738	18,937,344	15,308,736	215,242

Included in the non-trade payables is an amount payable to the previous shareholder of QHK and QSI amounting to RM15,000,000 and RM6,920,000 respectively (2016: Nil and RM13,840,000) as set out in Note 6 in the financial statements.

The foreign currency exposure profile of the other payables, denominated in a currency other than the respective functional currencies of the Group entities, are as follows:-

	Group	
	2017 RM	2016 RM
Singapore Dollar	2,050,659	2,207,822
Indian Rupee	358,876	613,944
Thailand Baht	18,476	21,100
Philippines Peso	5,380	8,858
Indonesian Rupiah	10,490	12,504
New Taiwan Dollar	35,479	–
Hong Kong Dollar	36,415	–

20. TRADE PAYABLES

The normal trade credit terms granted by trade payables range from 30 to 180 days (2016: 30 to 60 days).

The foreign currency exposure profile of the trade payables, denominated in a currency other than the respective functional currencies of the Group entities, are as follows:-

	Group	
	2017 RM	2016 RM
Singapore Dollar	29,891	1,439,469
Indian Rupee	68,607	46,239
New Taiwan Dollar	85,816	–

21. BORROWINGS (UNSECURED)**Group**

The borrowings consist of bills payable which have effective interest rates between 3.7% and 4.3% (2016: 3.0%) per annum and are repayable within the next 3 months (2016: 4 months). The borrowings are obtained by way of corporate guarantee by the Company.

22. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	120,884,910	61,504,150	–	–
Rendering of services	23,484,716	19,777,401	(23,829)	431,576
Licensing fee	–	–	480,000	480,000
	144,369,626	81,281,551	456,171	911,576

23. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging/(crediting), amongst others, the following items:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory audit	98,000	94,000	84,000	80,000
- other services	15,900	15,900	11,300	11,300
Other auditors				
- statutory audit	258,899	227,667	–	–
Rental of premises	2,417,181	1,982,586	201,651	196,578
Rental of office equipment	18,629	18,107	–	–
Realised foreign exchange (gain)/loss	(35,038)	(337,438)	11,553	(894)

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, wages and bonuses	13,409,041	11,797,815	485,424	527,047
Defined contribution plans	1,904,787	1,050,203	60,174	54,838
Directors' emolument	1,538,678	2,142,399	388,000	418,500
	16,852,506	14,990,417	933,598	1,000,385
Amount capitalised to Intangible Assets	(810,021)	(782,128)	(44,059)	(44,059)
	16,042,485	14,208,289	889,539	956,326

The details of Directors' emoluments are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Remuneration	1,041,821	1,619,220	–	–
Fees	378,000	408,000	378,000	408,000
Defined contribution plans	108,857	104,679	–	–
Others	10,000	10,500	10,000	10,500
	1,538,678	2,142,399	388,000	418,500
Amount capitalised to Intangible Assets	(221,331)	(213,122)	–	–
	1,317,347	1,929,277	388,000	418,500

25. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax				
- current year	275,290	157,822	42,000	–
- prior years	8,440	15,431	9,627	–
	283,730	173,253	51,627	–
Deferred tax (Note 9)				
- current year	1,698,400	269,063	–	–
- prior years	(1,065,908)	(57,779)	–	–
	632,492	211,284	–	–
	916,222	384,537	51,627	–

25. TAX EXPENSE (CONT'D)

A reconciliation of tax expense applicable to Profit/(Loss) before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	12,979,153	7,546,632	(2,697,698)	(1,406,666)
Tax at Malaysian statutory tax rate	3,114,996	1,811,192	(647,448)	(337,600)
Tax effect in respect of:-				
Effects of different tax rates in other jurisdictions	(1,080,195)	(430,986)	–	–
Income not subject to tax	(138,427)	(433,445)	–	(229,180)
Expenses not deductible for tax purposes	959,981	91,337	493,148	170,704
Partial tax exemption and tax incentives	(1,380,159)	(579,060)	–	–
Others	275,887	36,674	–	–
Double deduction	–	(53,057)	–	–
Origination of deferred tax assets not recognised	221,607	–	196,300	396,076
Utilisation of deferred tax assets not recognised previously	–	(15,770)	–	–
(Over)/under provision in prior year	(1,057,468)	(42,348)	9,627	–
	916,222	384,537	51,627	–

In accordance with Productivity and Innovation Credit ("PIC") Scheme, entities in Singapore are entitled to 400% tax allowance for investment in innovation and productivity improvements. The tax benefits are currently available from year of assessment 2011 to 2018.

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

26. EARNINGS PER SHARE

The basic earnings per share ("EPS") has been calculated by dividing the Group's profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year:-

	2017 RM	Group 2016 RM
Profit attributable to ordinary equity holders of the Company	12,062,931	7,162,095
Weighted average number of ordinary shares at 31 December	276,963,235	239,670,983
Basic EPS (sen)	4.36	2.99

The diluted EPS has been calculated by the dividing the Group's profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of shares that would have been in issue upon the fulfillment of the conditions in relation to the acquisitions of subsidiaries in Note 6 to the financial statements.

	2017 RM	Group 2016 RM
Profit attributable to ordinary equity holders of the Company	12,062,931	7,162,095
Weighted average number of ordinary shares at 31 December	276,963,235	239,670,983
Effect of issuance of share capital upon fulfillment of the condition on acquisition of subsidiary (Note 6)	16,979,568	16,642,168
Total weighted average number of shares at 31 December	293,942,803	256,313,151
Diluted EPS (sen)	4.10	2.79

27. RELATED PARTY DISCLOSURES**Related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are as follows:

	2017 RM	Company 2016 RM
Transactions with subsidiaries		
Licensing fee income	480,000	480,000
Purchases	–	403,632
Managed services	160,000	–
Research and development cost recharge	765,962	738,069
Assignment of debts	–	2,204,867

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 and of the Company either directly or indirectly.

The compensation of Directors and other members of key management personnel during the financial year are as follows:-

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Salaries and other emoluments	2,149,101	2,992,392	169,578	170,825
Defined contribution plans	226,669	222,325	21,110	21,110
	2,375,770	3,214,717	190,688	191,935
Amount capitalised to Intangible Assets	(265,390)	(257,181)	(44,059)	(44,059)
	2,110,380	2,957,536	146,629	147,876

Notes to the Financial Statements (cont'd)

28. LEASE COMMITMENTS

The future minimum lease payments payable under non-cancellable operating lease commitments are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Not later than one year	2,068,557	1,104,785	60,000	180,000
Later than one year but not later than two years	1,249,283	745,064	–	60,000
Later than two years but not later than five years	328,762	519,016	–	–
	3,646,602	2,368,865	60,000	240,000

Lease commitment represents rentals payables for rent of the office space and premises. Leases are negotiated for terms of 1 to 3 years (2016: 1 to 3 years).

29. OPERATING SEGMENTS**(a) Business segments**

For the management purposes, the Group is organised into business units based on its products and services, which comprises the following:

EDM Infrastructure Technology	Provision of EDM Infrastructure Technology which comprises both hardware and software. EDM hardware refers to computer component used to record, store and retain digital data while EDM software supports the process of data backup, storage, recovery and restoration.
EDM Managed Services	Comprehensive service provided for data assurance and operational continuity. The EDM Managed Services comprise the backup, storage, recovery and restoration of enterprise data, health checks, capacity planning, remote monitoring and disaster recovery services.
Investment holding	Provision for funding and investment related services.
Others	Provision for administrative support services and licensing fee charged to subsidiaries for research and development costs incurred.

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

29. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Note	EDM Infrastructure Technology RM	EDM Managed Services RM	Investment holding RM	Others RM	Total RM	Elimination/ Adjustment RM	Consolidated financial statements RM
2017								
Group revenue:								
External customers		138,426,225	5,943,401	-	-	144,369,626	-	144,369,626
Inter-segment	i	12,834,773	2,126,348	-	862,408	15,823,529	(15,823,529)	-
Total revenue		151,260,998	8,069,749	-	862,408	160,193,155	(15,823,529)	144,369,626
Profit/(Loss) before tax	ii	14,004,860	1,632,643	(3,102,828)	447,364	12,982,039	(2,886)	12,979,153
Tax expense		(668,302)	(185,045)	(42,000)	(20,875)	(916,222)	-	(916,222)
Net profit/(loss) for the financial year		13,336,558	1,447,598	(3,144,828)	426,489	12,065,817	(2,886)	12,062,931
Interest income								254,514
Finance cost								(469,380)
Assets:								
Segment assets	iii	108,391,246	12,358,352	33,507,367	4,714,283	158,971,248	37,524,543	196,495,791
Liabilities:								
Segment liabilities		85,823,422	9,516,711	15,328,236	745,789	111,414,158	(24,816,179)	86,597,979

29. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

2016	Note	EDM Infrastructure Technology RM	EDM Managed Services RM	Investment holding RM	Others RM	Total RM	Elimination/ Adjustment RM	Consolidated financial statements RM
Group revenue:								
External customers		76,927,836	4,353,715	-	-	81,281,551	-	81,281,551
Inter-segment	i	3,229,126	1,904,891	-	1,228,192	6,362,209	(6,362,209)	-
Total revenue		80,156,962	6,258,606	-	1,228,192	87,643,760	(6,362,209)	81,281,551
Profit/(Loss) before tax	ii	7,967,794	431,314	(1,906,615)	507,633	7,000,126	546,506	7,546,632
Tax (expense)/income		(383,563)	26,057	-	(27,031)	(384,537)	-	(384,537)
Net profit/(loss) for the financial year		7,584,231	457,371	(1,906,615)	480,602	6,615,589	546,506	7,162,095
Interest income								12,168
Finance cost								(166,969)
Share of results of equity-accounted associate								561,031
Assets:								
Segment assets	iii	89,213,761	8,648,618	29,313,946	3,445,326	130,621,651	(37,251,371)	93,370,280
Liabilities:								
Segment liabilities		55,546,214	7,185,999	1,166,628	274,778	64,173,619	(16,381,073)	47,792,546

29. OPERATING SEGMENTS (CONT'D)**(a) Business segments (cont'd)**

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- i. Inter-segment revenues are eliminated on consolidation.
- ii. Other material non-cash expenses consist of the following items:

	2017 RM	Group 2016 RM
Impairment losses on trade receivables	–	266,798
Reversal of impairment loss on trade receivables	(277,447)	–
Inventories write-down	6,422	145,803
Reversal of inventories write-down	(24,017)	(1,993,039)
Reversal of impairment loss on investment in an associate	–	(54)
Unrealised loss/(gain) on foreign exchange	2,269,396	(1,082,492)
Gain on disposal of property, plant and equipment	(16,557)	(8,573)
Property, plant and equipment written off	47,068	40,038
Amortisation of intangible assets	51,042	35,939
Depreciation of property, plant and equipment	4,547,910	3,852,462

- iii. Additions to non-current assets consist of:

	2017 RM	Group 2016 RM
Property, plant and equipment	5,243,827	1,445,090
Intangible assets	826,248	809,738

29. OPERATING SEGMENTS (CONT'D)**(b) Geographical segment**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

	Revenue		Group	
	2017 RM	2016 RM	2017 RM	2016 RM
Singapore	69,706,327	47,354,282	27,937,586	33,081,864
India	13,650,910	10,480,314	3,785,671	1,518,793
USA	13,329,858	4,368,198	–	–
Philippines	4,774,336	3,943,367	380,006	449,891
Malaysia *	2,569,343	2,359,992	4,795,648	4,160,500
Hong Kong & Taiwan	14,517,629	188,430	40,219,515	–
Indonesia	10,759,209	4,465,540	–	356,628
Other	15,062,014	8,121,428	242,342	371,197
	144,369,626	81,281,551	77,360,768	39,938,873

* the Company's home country

Non-current assets do not include deferred tax assets

Information about a major customer

Revenue from one (2016: five) major customer arising from the EDM Infrastructure Technology segment amounts to RM22,984,318 (2016: RM38,365,864). For the purposes of this disclosure, a major customer is defined as one in which revenue from transactions with a single customer amounts to 10% or more of the Group's revenue.

30. FINANCIAL INSTRUMENTS**Financial risk management**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligations.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the counterparties whose aggregate credit exposure is significant in relation to the company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's and the Company's policies that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the head of credit control.

Following are the areas the Group and the Company are exposed to credit risk:-

Receivables

As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

30. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Following are the areas the Group and the Company are exposed to credit risk (cont'd):-

Receivables (cont'd)

The ageing analysis of trade receivables are as follows:-

	Gross RM	Individually impaired RM	Net RM
Group			
2017			
Within credit terms	37,856,801	–	37,856,801
Past due 1-30 days	3,767,168	–	3,767,168
Past due 31-60 days	77,573	–	77,573
Past due 61-90 days	408,310	–	408,310
Past due more than 90 days	364,639	–	364,639
	42,474,491	–	42,474,491
2016			
Within credit terms	20,791,466	–	20,791,466
Past due 1-30 days	726,045	(232,777)	493,268
Past due 31-60 days	1,387,571	–	1,387,571
Past due 61-90 days	2,751,451	–	2,751,451
Past due more than 90 days	43,334	(43,334)	–
	25,699,867	(276,111)	25,423,756
Company			
2016			
Within credit terms	457,471	–	457,471

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group's trade receivables of RM4,617,690 (2016: RM4,632,290) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The net carrying amount of receivables is considered a reasonable approximate to fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of the reporting year relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

30. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Following are the areas the Group and the Company are exposed to credit risk (cont'd):-

Financial guarantees

The maximum exposure to credit risk of the Company is amounted to RM13,121,831 (2016: RM3,323,075), represented by the outstanding banking facilities of the subsidiaries as at the reporting date.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the reporting date, there was no indication that any subsidiary would default on repayment.

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

Intercompany loans and advances

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company provides unsecured loans and advances to subsidiaries and monitors the results of the subsidiaries regularly.

As at the reporting date, there was no indication that the loans and advances to the subsidiaries are not recoverable.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due as a result of shortage of funds.

The Group's and the Company's exposure to liquidity risk arises principally from its various payables and they maintain a level of cash and cash equivalents deemed adequate by management to ensure it has sufficient liquidity to meet their obligations when they fall due.

The Group's and the Company's aim to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities.

Notes to the Financial Statements (cont'd)

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

At the reporting date, the Group's and the Company's non-derivative financial liabilities with have contractual maturities (including interest payments) are summarised below:-

	Carrying amount RM	Contractual cash flows RM	Within 1 year than 2 years RM	Later than 1 year but not later 5 years RM	Later than 2 years but not later than RM
Group					
2017					
Trade payables	31,605,612	31,605,612	31,605,612	–	–
Other payables	27,412,032	27,412,032	27,333,778	78,254	–
Finance lease liabilities	2,616,214	2,836,708	1,336,542	1,320,296	179,870
Borrowings	13,121,831	13,121,831	13,121,831	–	–
	74,755,689	74,976,183	73,397,763	1,398,550	179,870
2016					
Trade payables	14,367,693	14,367,693	14,367,693	–	–
Other payables	18,845,469	18,845,469	11,855,760	6,989,709	–
Finance lease liabilities	540,864	556,573	506,747	33,217	16,609
Borrowings	3,323,075	3,323,075	3,323,075	–	–
	37,077,101	37,092,810	30,053,275	7,022,926	16,609
Company					
2017					
Other payables	15,308,736	15,308,736	15,308,736	–	–
Financial guarantees	–	13,121,831	13,121,831	–	–
2016					
Other payables	215,242	215,242	215,242	–	–
Financial guarantees	–	3,323,075	3,323,075	–	–

30. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) 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.

The Group and the Company are exposed to foreign currency risk on sales, purchases and investments that are denominated in a currency other than the respective functional currencies of the Group and of the Company. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD") and Indian Rupee ("INR").

At the end of the reporting year, the management of the Group and of the Company determined that the effects of sensitivity of the Group's and of the Company's profit for the financial year to a reasonably possible change in other currencies exchange rates to be insignificant to the financial statements.

(d) Interest rate risk

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

Although the debts are fixed borrowings, there is an inherent risk in stating their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at end of reporting year was:-

	Group	
	2017 RM	2016 RM
Fixed rate instrument		
Finance lease liabilities	2,616,214	540,864

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents, except for borrowings and finance lease liabilities, approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

31. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that the maintain a strong credit rating and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholder value.

The Group and the Company manage this capital structure and make adjustments to it, in light of changes in economic conditions including the interest rate movements. To maintain and adjust the capital structure, the Group and the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

- (a) On 9 October 2017, the Company entered into a conditional sale and purchase agreement ("SPA") to acquire the entire issued and paid-up share capital of QHK for a purchase consideration of up to RM45,000,000 ("Purchase Consideration") pursuant to Law Chee Yii ("LCY") shall transfer the sale shares to the Company ("Acquisition") as disclosed in Note 6 to the financial statements.
- (b) On 26 February 2018, the Company made an offer to eligible employees to receive new ordinary shares of the Company under the Share Grant Plan of the Company. The number of shares offered was 2,108,400 with the closing market price on the date of offer being RM0.805.
- (c) On 2 March 2018, the Company had through its wholly-owned subsidiary, Kronicles (Singapore) Pte Ltd. incorporated a new wholly-owned subsidiary named Kronicles (Hong Kong) Limited ("KHKL") in Hong Kong.

The intended activity of KHKL is managed services business providing a holistic comprehensive and automated daily backup targeted at medium sized enterprises.

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ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Total number of issued shares	:	330,093,497 ordinary shares*
Class of Equity Securities	:	Ordinary Shares ("Shares")
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held

* The Company's total number of issued shares as at 31 December 2017 stood at 327,985,097. Subsequently, the Company has issued and allotted 2,108,400 Shares on 8 March 2018 under the Company's Share Grant Plan.

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100 shares	14	259	0.00
100 - 1,000 shares	463	314,401	0.10
1,001 - 10,000 shares	2,697	15,800,100	4.79
10,001 - 100,000 shares	1,933	63,296,100	19.17
100,001 - 16,504,673 (*)	253	81,571,072	24.71
16,504,674 and above (**)	4	169,111,565	51.23
Total	5,364	330,093,497	100.00

Note:

* Less than 5% of Issued Shares

** 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Jeck Min	55,129,768	16.70	—	—
Teo Chong Meng Philip Dominic	35,250,000	10.68	—	—
Piti Pramotedham	31,548,200	9.56	—	—
Law Chee Yii	30,612,245	9.27	—	—

DIRECTORS' SHAREHOLDINGS

(As per the Register of Directors' Shareholdings)

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Wee Seng Gerard	500,000	0.15	—	—
Teo Chong Meng Philip Dominic	35,250,000	10.68	—	—
Tan Jeck Min	55,129,768	16.70	—	—
John Chin Shoo Ted	135,000	0.04	—	—
Kok Cheang-Hung	21,000	0.01	—	—

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 MARCH 2018

(without aggregating the securities from different securities accounts belonging to the same registered holder)

No	Name	No. of Shares held	%
1.	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Clients)	71,843,120	21.76
2.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Teo Chong Meng Philip Dominic	35,000,000	10.60
3.	Piti Pramotedham	31,548,200	9.56
4.	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Clients)	30,720,245	9.31
5.	Chan Chee Lun	6,250,172	1.89
6.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Lim Pay Chuan	3,500,000	1.06
7.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Skandinaviska Enskilda Banken AB (UCITS V Swedish)	3,294,900	1.00
8.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Lim Pay Chuan	2,000,000	0.61
9.	Federlite Holdings Sdn. Bhd.	1,809,400	0.55
10.	Ng Boo Kean @ Ng Beh Kian	1,705,000	0.52
11.	Public Nominees (Asing) Sdn. Bhd. Pledged securities account for Syed Hizam Alsagoff (E-PDG)	1,700,000	0.52
12.	Kenanga Nominees (Tempatan) Sdn. Bhd. Rakuten Trade Sdn. Bhd. for Tan Foh Hua	1,301,000	0.39
13.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Lim Mooi Tean	1,000,000	0.30
14.	Tan Mooi Swee	954,000	0.29
15.	Ng Ah Meng Sdn. Bhd.	900,000	0.27
16.	Tham Sing Wae	900,000	0.27
17.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt An for UOB Kay Hian (Hong Kong) Limited (A/C Clients)	900,000	0.27
18.	Wong Kum Fatt	900,000	0.27
19.	Ng Yew Sang	771,000	0.23
20.	Maybank Nominees (Asing) Sdn. Bhd. Chang Nyeng Tai	753,100	0.23
21.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Tan Boon Seng	750,000	0.23
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An for OCBC Securities Private Limited (Client A/C-R ES)	705,000	0.21
23.	Mok Puay Kang	700,000	0.21
24.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Khor Chin Cheang	680,000	0.21
25.	Eng Yok Tin @ Seet Kim Lian	678,800	0.21
26.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	664,800	0.20
27.	Low Wee Yien	647,300	0.20
28.	Soo Sing Huat	616,000	0.19
29.	Tan Eng @ Tan Chin Huat	615,000	0.19
30.	Lim Mooi Tean	600,000	0.18

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting (“AGM” or “Meeting”) of **KRONOLOGI ASIA BERHAD** (“Kronologi” or “the Company”) will be held at Grand Suite, Hilton Kuala Lumpur, No. 3, Jalan Stesen Sentral, 50470 Kuala Lumpur on Friday, 1 June 2018 at 10.00 a.m. to transact the following businesses:-

AGENDA

AS ORDINARY BUSINESS:

- | | | |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the reports of the Directors and Auditors thereon. | <i>Please refer to Note (i)</i> |
| 2. | To approve the Directors’ fees and benefits of up to RM366,000 for the financial year ending 31 December 2018. | <i>Ordinary Resolution 1</i> |
| 3. | To re-elect Mr. Teo Chong Meng Philip Dominic as Director who retires by rotation in accordance with Clause 88 of the Company’s Constitution. | <i>Ordinary Resolution 2</i> |
| 4. | To re-elect Mr. Kok Cheang-Hung who retires as Director in accordance with Clause 95 of the Company’s Constitution. | <i>Ordinary Resolution 3</i> |
| 5. | To re-appoint Messrs. Grant Thornton Malaysia as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | <i>Ordinary Resolution 4</i> |

AS SPECIAL BUSINESS:

To consider and if thought fit, pass with or without any modifications, the following resolution:-

- | | | |
|----|---|-------------------------------------|
| 6. | GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 | <i>Ordinary Resolution 5</i> |
|----|---|-------------------------------------|

“**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being **AND THAT** the Directors be and are also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

Notice of Annual General Meeting (cont'd)

7. **PROPOSED PARTICIPATION OF MR. TAN JECK MIN UNDER THE COMPANY'S SHARE GRANT PLAN****Ordinary
Resolution 6**

"**THAT** pursuant to the share grant plan ("**SGP**") of up to 30% of the total number of issued shares of the Company at any time during the existence of the SGP, the Board of Directors of the Company be and is hereby authorised to, at any time and from time to time, cause/procure the offering and the allocation to Mr. Tan Jeck Min, the Executive Director of the Company, such number of ordinary shares in the Company under the SGP ("**Plan Shares**"), which may vest in him at a future date and to allot and issue such number of Plan Shares to the trustee appointed under the SGP to facilitate the implementation of the SGP ("**Trustee**") and/or procure the transfer of such number of Plan Shares by the Trustee to him, provided always that the allocation to any individual selected employee (including an Executive Director or a Chief Executive Officer) who, either singly or collectively through persons connected with the selected employee (as defined in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the total number of issued shares (excluding treasury shares) of the Company, shall not exceed ten percent (10%) (or such other percentage as the relevant authorities may permit) of the maximum total number of shares under the SGP, subject to the terms and conditions and/or adjustments which may be made in accordance with the provisions of the By-Laws of the SGP."

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

By order of the Board

TEA SOR HUA (MACS 01324)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
30 April 2018

Notes:

1. The Agenda No. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, Agenda No. 1 is not put forward for voting.
2. A shareholder who is entitled to attend and vote at the Meeting shall be entitled to appoint up to two (2) proxies to attend and vote at the Meeting in his stead. Where a shareholder appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
3. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution to issue a General Meeting Record of Depositors as at 25 May 2018. Only members whose names appear in the General Meeting Record of Depositors as at 25 May 2018 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
4. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

Notice of Annual General Meeting (cont'd)

Notes: (cont'd)

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
8. To be valid, the instrument appointing a proxy must be deposited at the Share Registrar Office of the Company at Unit 32-01, Level 32 Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote.
9. All resolutions as set out in this Notice of Meeting will be put to vote by poll.

EXPLANATORY NOTES TO SPECIAL BUSINESS**(i) Item 6 of the Agenda**

The Ordinary Resolution 5 proposed under item 6 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016. This Ordinary Resolution, if passed, is to empower the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to approve such an issue of shares. This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier.

This general mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

Notice of Annual General Meeting (cont'd)

EXPLANATORY NOTES TO SPECIAL BUSINESS (CONT'D)**(i) Item 6 of the Agenda (Cont'd)**

As at the date of this Notice, 14,150,000 and 12,850,000 new ordinary shares were issued by the Company via a private placement exercise at an issue price of RM0.79 and RM0.84 per share respectively pursuant to the general mandate granted to the Directors at the last Annual General Meeting held on 26 May 2017. The status of utilisation of gross proceeds of RM21.973 million raised from the private placement exercises by the Company as at 30 April 2018 is as follows:-

	Detail of utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviations/ Variation RM'000	Balance RM'000	Time frame for utilisation
1	Business expansion	5,000	5,000	–	–	Within 24 months
2	Transnational infrastructure equipment	5,000	5,000	–	–	Within 24 months
3	Working capital	11,823	11,813	(10)	–	Within 24 months
4	Estimated expenses	150	160	10	–	Within 2 weeks
	Total gross proceeds	21,973	21,973	–	–	

(ii) Item 7 of the Agenda

The Ordinary Resolution 6 proposed under item 7 of the Agenda would allow Mr. Tan Jeck Min, an Executive Director of the Company, to participate in the Company's Share Grant Plan ("Proposed Grant").

The Proposed Grant is to recognise and reward Mr. Tan Jeck Min for his contribution to the Group as well as to motivate him towards improved performance through greater productivity and loyalty.

Mr. Tan Jeck Min, being the interested Director on the Proposed Grant, has abstained and will continue to abstain from deliberating and voting in respect of his direct and/or indirect interests (if any) in the Company, on the proposed Ordinary Resolution 6 to be tabled at the Fourth AGM of the Company. He shall also ensure that persons connected with him, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company (if any) on the proposed Ordinary Resolution 6.

Save for the above, none of the Directors and/or major shareholders and/or person connected with them, have any interest, direct or indirect, in the Proposed Grant.

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KRONOLOGI ASIA BERHAD (1067697-K)
(Incorporated in Malaysia)

PROXY FORM

I/We NRIC/Company No.
(full name in capital letters)

of
(full address)

being (a) member(s) of KRONOLOGI ASIA BERHAD hereby appoint

..... NRIC No.
(full name in capital letters)

of
(full address)

or failing him/her, NRIC No.
(full name in capital letters)

of
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company ("AGM" or "Meeting") to be held at Grand Suite, Hilton Kuala Lumpur, No. 3, Jalan Stesen Sentral, 50470 Kuala Lumpur on Friday, 1 June 2018 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her discretion.

No.	Resolutions	For	Against
1.	To approve the payment of Directors' fees and benefits of up to RM366,000 for the financial year ending 31 December 2018.		
2.	To re-elect Mr. Teo Chong Meng Philip Dominic as Director who retires by rotation in accordance with Clause 88 of the Company's Constitution.		
3.	To re-elect Mr. Kok Cheang-Hung as Director who retires in accordance with Clause 95 of the Company's Constitution.		
4.	To re-appoint Messrs. Grant Thornton Malaysia as Auditors of the Company.		
5.	General Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
6.	Proposed participation of Mr. Tan Jeck Min under the Company's Share Grant Plan.		

CDS Account No.	No. of Shares Held

Dated this day of 2018.

.....
Signature of Member(s)/Common Seal

Percentage of shareholdings to be represented by the proxies:		
	No. of shares	%
Proxy 1		
Proxy 2		
TOTAL		100

NOTES:

- A shareholder who is entitled to attend and vote at the Meeting shall be entitled to appoint up to two (2) proxies to attend and vote at the Meeting in his stead. Where a shareholder appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
- For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution to issue a General Meeting Record of Depositors as at 25 May 2018. Only members whose names appear in the General Meeting Record of Depositors as at 25 May 2018 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- To be valid, the instrument appointing a proxy must be deposited at the Share Registrar Office of the Company at Unit 32-01, Level 32 Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
KRONOLOGI ASIA BERHAD (1067697-K)
Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32 Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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www.kronologi.asia

KRONOLOGI ASIA BERHAD

(Company No: 1067697-K)

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