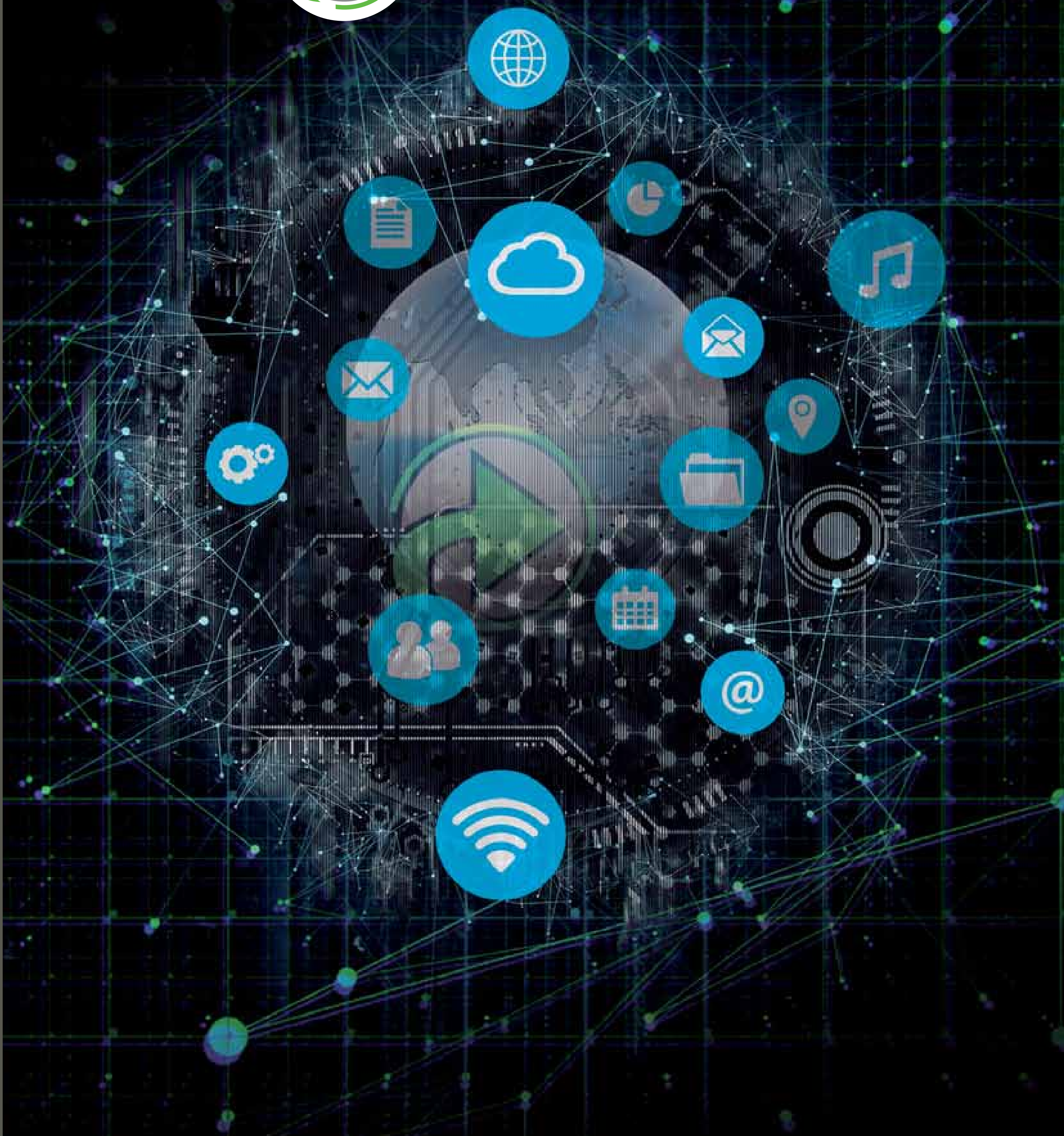
DELIVERING ENTERPRISE CLASS DATA PROTECTION
AND MANAGEMENT FOR BUSINESS CONTINUITY



ANNUAL REPORT **2018**

KRONOLOGI ASIA BERHAD

(Company No: 1067697-K)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Geoffrey Ng Ching Fung
Independent Non-Executive Chairman

Edmond Tay Nam Hiong
Executive Director/ Chief Executive Officer

Tan Jeck Min
Executive Director

John Chin Shoo Ted
Senior Independent Non-Executive Director

Kok Cheang-Hung
Independent Non-Executive Director

AUDIT COMMITTEE

Kok Cheang-Hung (*Chairman)*
Geoffrey Ng Ching Fung
John Chin Shoo Ted

NOMINATION COMMITTEE

John Chin Shoo Ted (*Chairman)*
Geoffrey Ng Ching Fung
Kok Cheang-Hung

REMUNERATION COMMITTEE

John Chin Shoo Ted (*Chairman)*
Geoffrey Ng Ching Fung
Kok Cheang-Hung

SHARE GRANT PLAN COMMITTEE

Tan Jeck Min (*Chairman)*
Geoffrey Ng Ching Fung
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 7728 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 (**"Kronologi"** or **"Company"** or **"Group"**) is a regional enterprise data management (**"EDM"**) solutions provider listed on the ACE Market of Bursa Malaysia Securities Berhad (**"Bursa Securities"**) (0176/Krono).

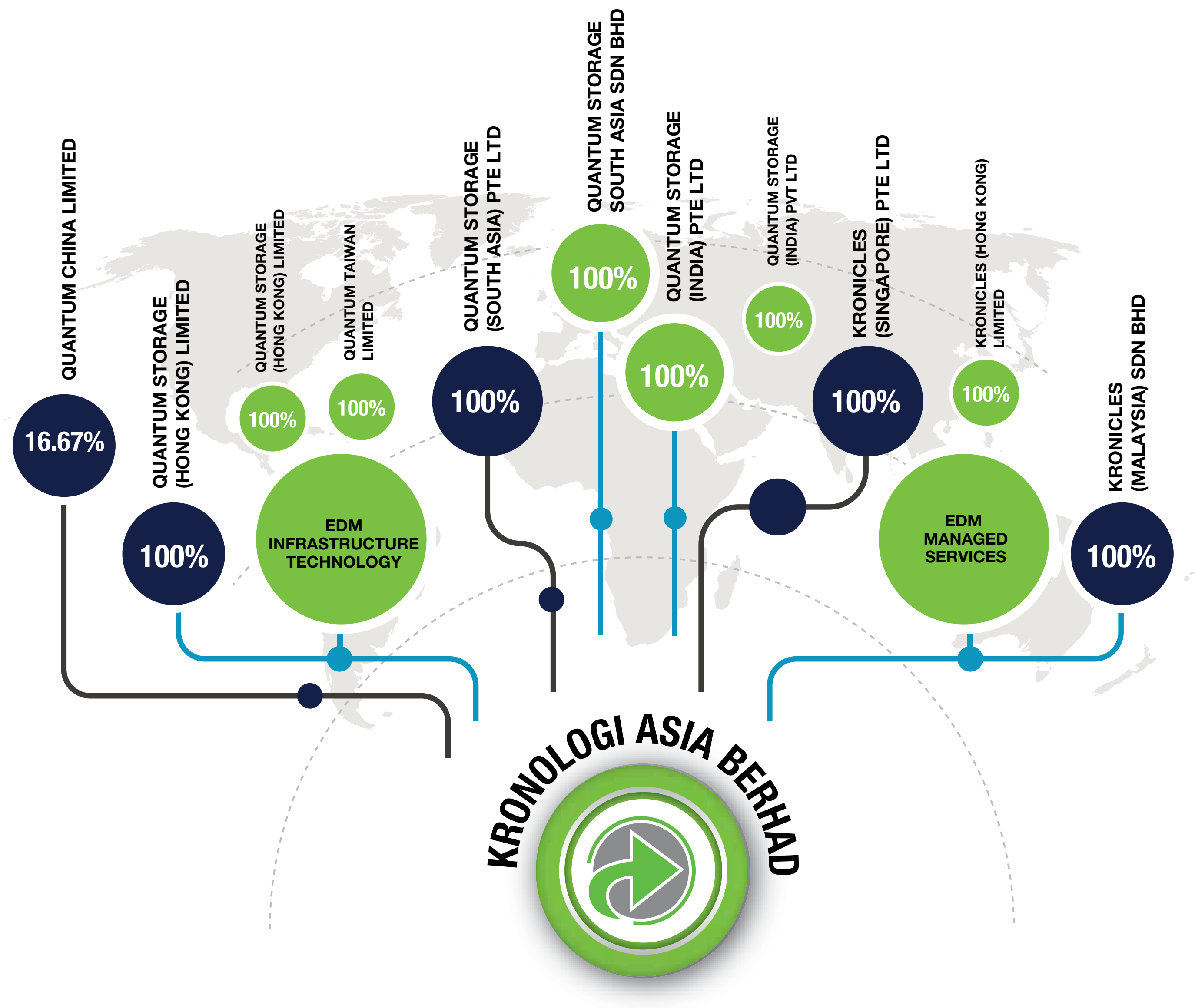
The Group specialises in data assurance and protection to ensure business continuity for our clients. Our portfolio of products and services provide our clients with the ability to achieve data assurance and protection through the systematic backup, storage and recovery of enterprise data to ensure business continuity as follows:-

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 EDM Infrastructure Technology and EDM Managed Services division.

Currently, the Group has presence in the following countries - Malaysia, Singapore, Thailand, Philippines, Indonesia, India, Hong Kong, Taiwan and China.

CORPORATE
STRUCTURE



5 (FIVE) YEAR FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
RESULTS					
Revenue	163,065	144,370	81,282	61,353	54,661
Profit before interest and tax expense	18,079	13,448	7,713	3,100	6,863
Interest expense	(1,099)	(469)	(167)	(225)	(351)
Profit before tax expense	16,980	12,979	7,546	2,875	6,512
Tax (expenses)/ income	(720)	(916)	(385)	175	(461)
Profit for the financial year / Attributable to the owners of the parent	16,260	12,063	7,162	3,050	6,051
ASSETS					
Property, plant and equipment	21,385	9,816	9,349	10,461	9,073
Goodwill on consolidation	62,904	62,358	26,384	-	-
Intangible assets	4,530	4,062	3,287	2,513	1,369
Investment in an associate	12,640	-	-	855	-
Other non-current assets	2,728	1,198	976	945	299
Current assets	142,261	119,062	53,374	55,857	36,899
Total Assets	246,448	196,496	93,370	70,631	47,640
EQUITY AND LIABILITIES					
Total shareholders' equity	163,520	109,898	45,578	34,656	27,983
Borrowings	32,866	15,738	3,864	5,552	3,135
Other non-current liabilities	9,074	4,166	10,988	1,177	1,154
Current liabilities	40,988	66,694	32,940	29,246	15,368
Total Liabilities	82,928	86,598	47,792	35,975	19,657
Total Equity and Liabilities	246,448	196,496	93,370	70,631	47,640
FINANCIAL RATIOS					
Basic earnings per share # (sen)	4.51	3.36	1.99	0.85	1.68
Diluted earnings per share (sen)	*	4.10	2.79	*	*
Interest cover (times)	16.45	28.67	46.19	13.78	19.55
Net assets per share (RM)	0.41	0.34	0.18	0.15	0.12
Gearing ratio (%)	20.10%	14.32%	8.48%	16.02%	11.20%
Return of average shareholders' equity (%)	11.89%	15.52%	17.85%	9.74%	23.91%
Return of average capital employed (%)	13.22%	17.30%	19.23%	9.90%	27.11%

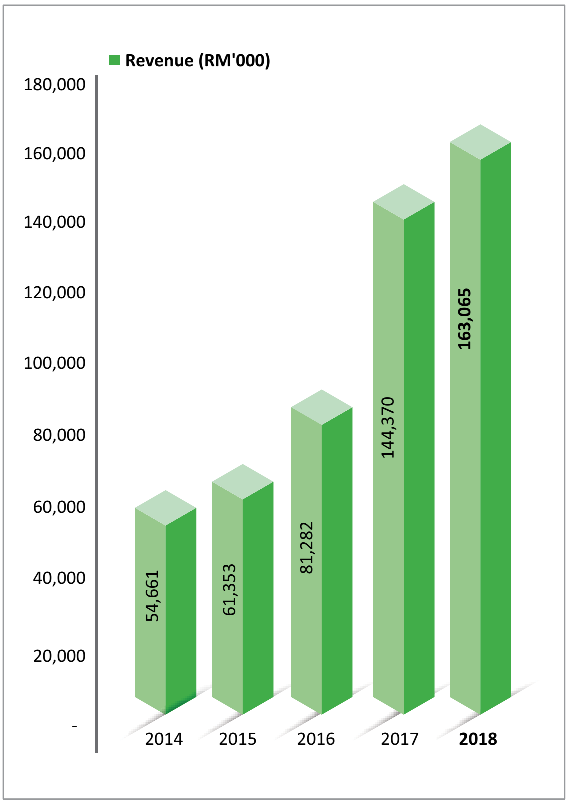
Notes

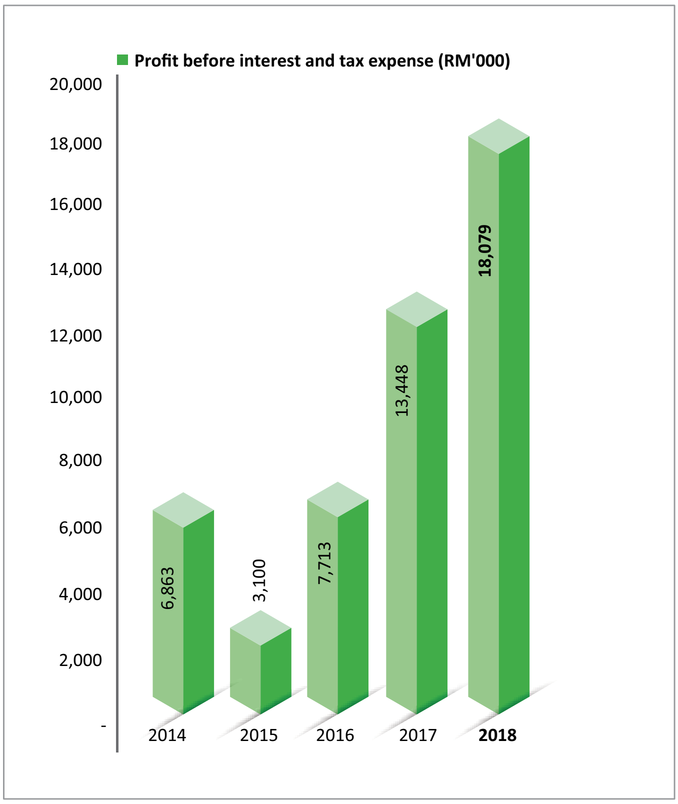
N/A = Not applicable

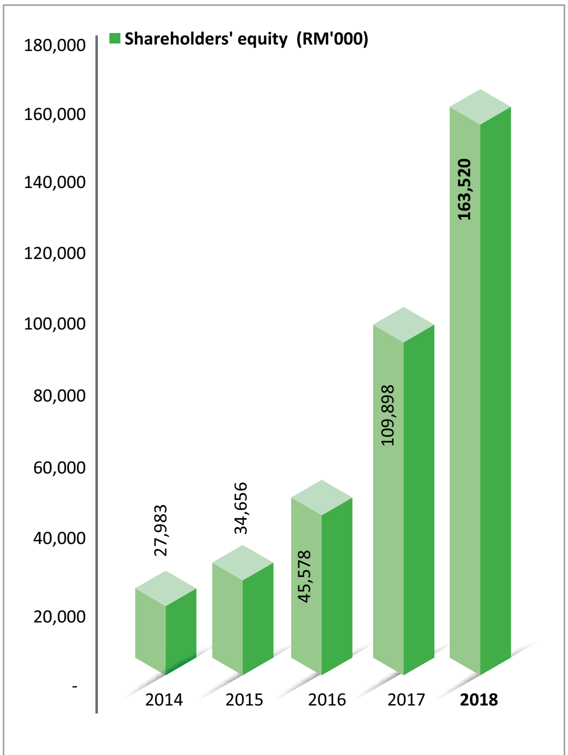
\# *Basic earnings per share for FY 2014, FY 2015, FY 2016 and FY2017 were calculated by dividing net profit attributable to owners of the parent by the number of ordinary shares outstanding at the end of FY 2018 i.e 359,386,198 shares throughout each financial year. This is to provide a meaningful comparison of the financial performance of the Group.*

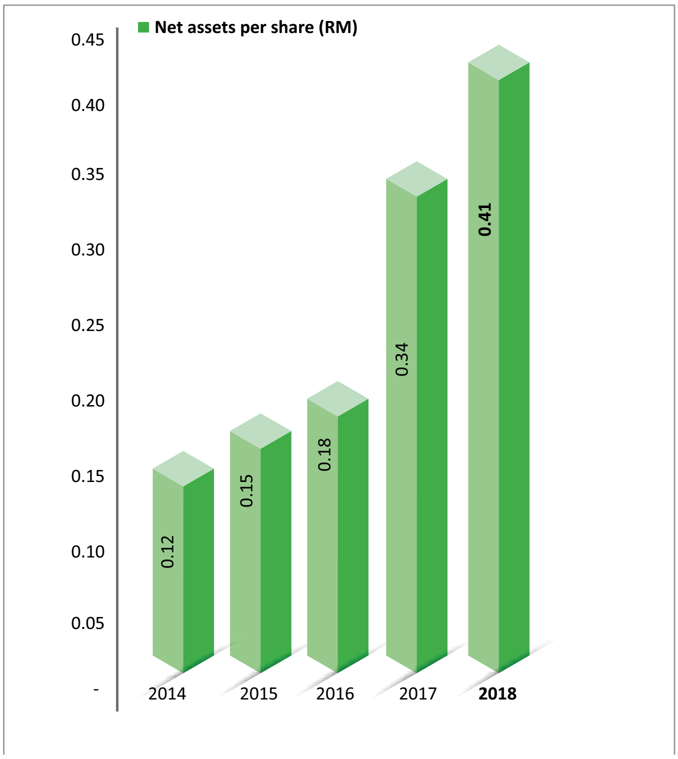
* *No diluted earnings per share is presented as there are no potential dilutive ordinary shares at each financial year.*

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



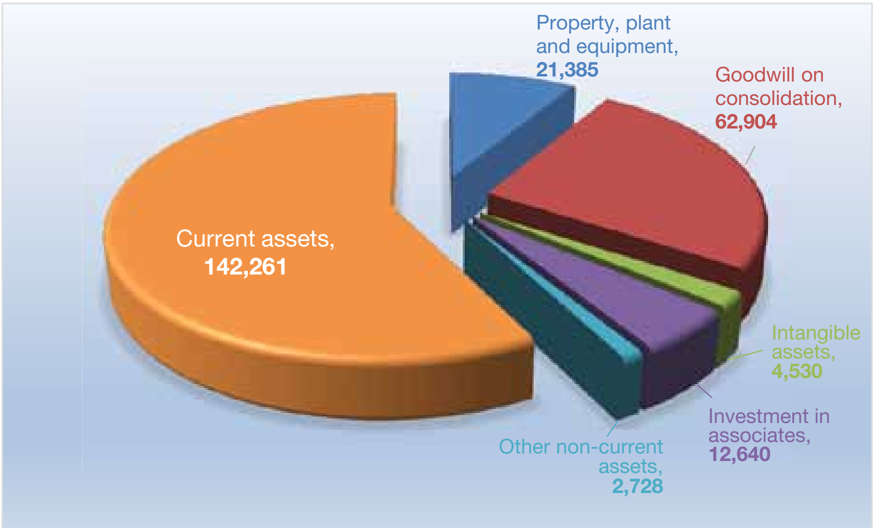




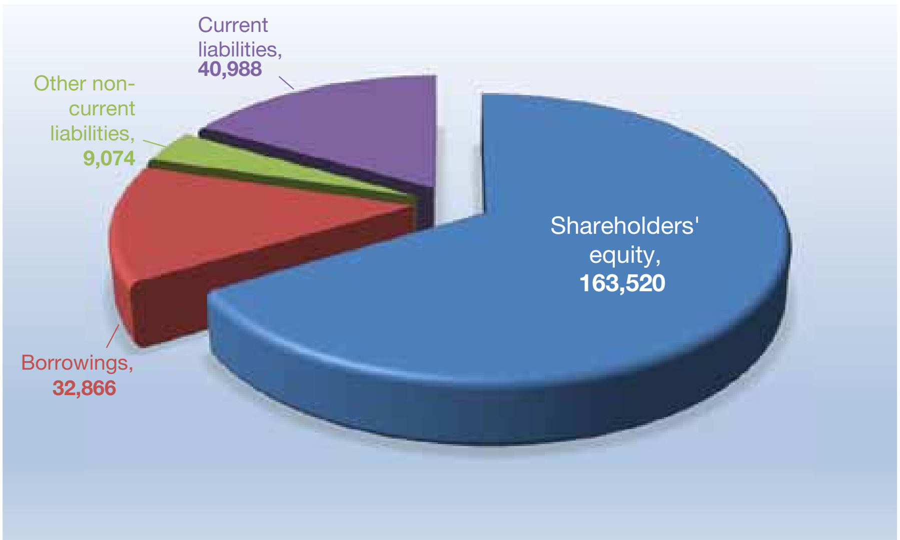


5 (Five) Year Financial Highlights (cont'd)

Total Assets 2018

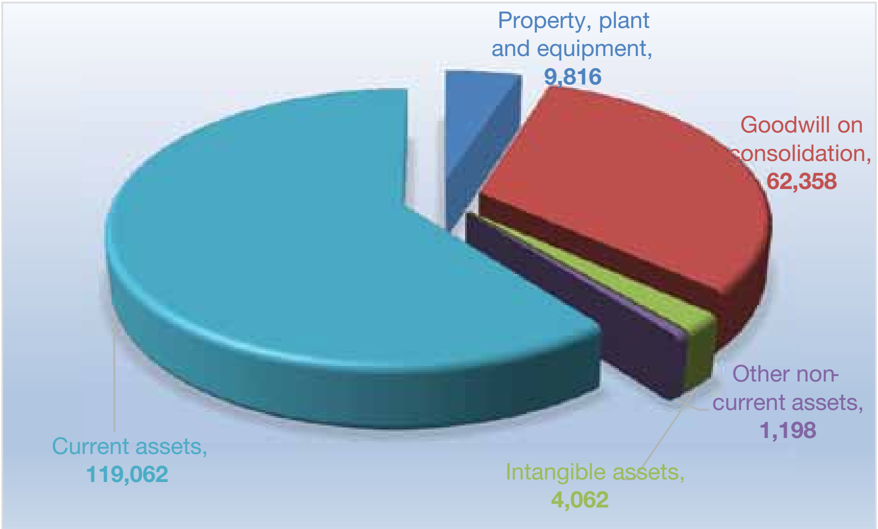


Total Equity & Liabilities 2018

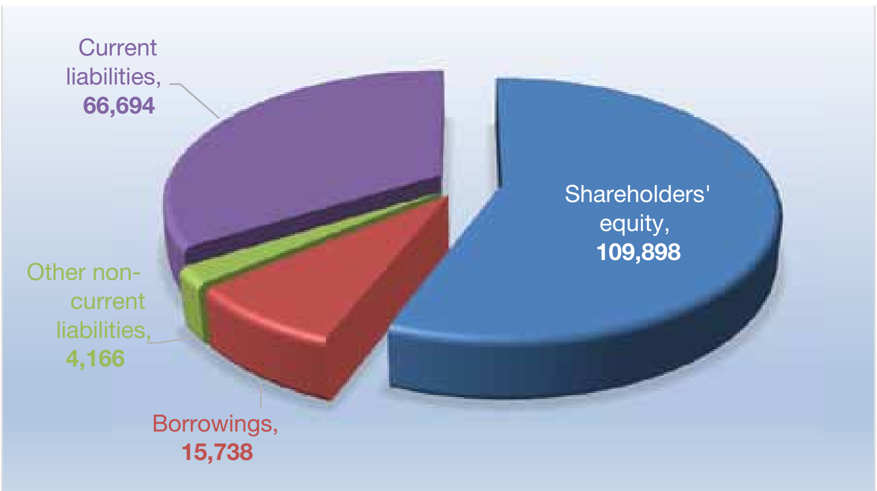


5 (Five) Year Financial Highlights (cont'd)

Total Assets 2017



Total Equity & Liabilities 2017



MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

On behalf of the Board of Directors, I would like to thank you for the continuous trust and support for the Company. We specialise in Enterprise Data Management ("EDM") with several underlying opportunities. This section is to provide shareholders with on overview of the business operations of Kronologi Asia Berhad (the " Company" and "Group"), financial review of 2018 and the Group's business expectations for 2019.

OVERVIEW

The Group's business comprises of 2 segments, namely EDM Information Technology ("IT") and Managed Services ("MS")

Despite a year marked by economic and business slowdown in some markets and generally stiffer competition, the Company's performance was commendable. EDM IT segment grew better than last year, and the EDM MS segments show continuous double digit growth with high sustainability.

GROUP PERFORMANCE

For the current financial year, the Group delivered yet another record high revenue of RM163.065 million for the financial year ended 31 December 2018 ("FY2018"), which was 13% higher than the previous financial year ended 31 December 2017 ("FY2017"). The increase in revenue was mainly attributable to the EDM IT segment where it registered an increase of RM14.413 million in revenue to RM152.839 million, which amounted to 94% of the Group's total revenue. EDM MS contributed to the remaining 6%.

The Group's Profit before Tax ("PBT") rose to RM16.980 million from RM12.979 million, an increase of 31% when compared with FY2017. The increase in PBT of RM4.001 million was derived mainly from the EDM IT 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 (Hong Kong) Limited ("QHK acquisition") in December 2017.

The Group recorded Operating Cash Flows of RM27.843 million in FY2018 against negative Operating Cash Flows of RM9.760 million for the preceding year. The higher cash flows were attributable to monetisation of inventories and efficient credit control management.

For FY2018, the Group invested a total of RM19.639 million, comprising RM12.553 million for investment in associates – Quantum China Limited, RM6.482 million for capital expenditure and RM0.664 million for research and development.

The Group's Shareholders Equity as of 31 December 2018 stood at RM163.520 million, an increase of RM53.622 million or 49% over the preceding year, mainly due to the issuance of share capital of RM39.003 million and increase in retained earnings of RM16.260 million.

Management Discussion And Analysis (cont'd)

The Group's Interest Cover was 16.5 times (FY2017: 28.7 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.

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.

Operations review

EDM INFRASTRUCTURE TECHNOLOGY

EDM IT continues to be the key driver in both revenue and segmental operating profit for the Group. The Group registered 10% growth in revenue to RM152.839 million, and a higher profit growth of 19% to RM17.007 million for FY2018 (with RM9.440 million classified under others). By country markets, Singapore remained the single largest contributor to this segment at 54% of total revenue.

EDM MANAGED SERVICES

The EDM MS is a strategic part of the KAB Group's strategic growth plan 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 IT, EDM MS provide a steady stream of revenue and profitability to the Group.

Despite a challenging FY 2018, the Group's EDM MS segment registered double digit revenue growth of 72% to RM10.226 million as compared with RM5.943 million in FY 2017. As a result of increase in revenue, segment profit grew by RM0.527 million from FY2017 to RM2.260 millions in FY 2018.

Revenue for this business segment is currently derived mainly from Singapore.

Future Prospects

Although the EDM IT 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 ourselves and provide innovative, value adding solutions to our customers.

The Group foresees that the EDM MS 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 services solutions. To capture this growing market, the Group has already deployed its strategies into Hong Kong and plans to expand into other countries in the coming years.

The Group also expects the completion of its acquisition of Sandz Group in the financial year 2019 to contribute positively to our results. Synergies achieved from the enlarged Group will strengthen the offering of both EDM IT and EDM MS via the experience and network of Sandz Group in the Philippines.

The Group will continue to drive growth both organically through its existing footprint and inorganically via merger and acquisition opportunities, with the objective of expanding our suite of products and services to our existing customers base and in attracting new customers to the Group.

DIVIDEND POLICY

Although the Company has yet to establish any dividend policy, the Group is committed to ensure shareholders a fair and equitable return of investment while taking into consideration all other factor in striking a balance. Therefore, after taking into account the Group's performance and cashflow, the Board is recommending a final single-tier dividend of 2 sen per ordinary shares for FY2018 subject to the approval of shareholders in the forthcoming Annual General Meeting.

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.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank you on behalf of the full Board, for supporting our ambitious goals, our leadership and for being patient with our business.

We would like to take this opportunity to express our gratitude and thanks to the management and staffs of the Group for their commitment. Our dedication to deliver value and quality to our customers shall always be our culture.

Edmond Tay Nam Hiong
Executive Director cum Chief Executive Officer

BOARD OF DIRECTORS

GEOFFREY NG CHING FUNG
Independent Non-Executive Chairman
Gender : Male

EDMOND TAY NAM HIONG
Executive Director/Group Chief Executive Officer
Gender : Male

Mr. Geoffrey Ng Ching Fung, a Malaysian, aged 45, was appointed to the Board on 1 January 2019 as Independent, Non-Executive Chairman having previously served as Independent Non-Executive Director from 19 October 2015 to 31 January 2018. Currently, he is a member of the Audit, Nomination, Remuneration and Share Grant Plan Committees.

Mr. Ng has 23 years of investment management experience and is currently Director with Fortress Capital Asset Management (M) Sdn. Bhd., a Pan-Asian investment management company. He previously held the positions of Chief Executive Office/Executive Director with Hong Leong Asset Management Bhd., Senior Vice President, Global Emerging Markets with Dubai Investment Group and Chief Investment Officer with Pacific Mutual Fund Bhd.

Mr. Ng is also an Independent Non-Executive Director of SGX-listed, BM Mobility Ltd, where he chairs the firm's Remuneration Committee and is a member of the company's Audit and Nomination Committees.

Mr Ng is a member of the Board of Governors, CFA Institute. He holds a Bachelor of Commerce (High Honours) with double majors in Accounting and Finance from Sprott School of Business, Carleton University, Canada, as well as the Chartered Financial Analyst and Certified Financial Planner designations. He also holds a certificate in Fintech: Future Commerce by the Massachusetts Institute of Technology.

He has not attended any Board Meetings held during the financial year ended 31 December 2018 as he was appointed to the Board on 1 January 2019.

Mr. Edmond Tay Nam Hiong, a Singaporean, aged 48, is our Executive Director cum Chief Executive Officer, appointed to the Board on 1 April 2019. He founded Quantum Storage (India) Pte Ltd ("QSI") in 2012 after spanning about 8 years in building a successful Quantum Storage South Asia business. He is responsible for running all facets of QSI business and in 2016 became part of the management team pursuant to the merger of QSI and the Company.

With a proven executive management track record over 22 years for driving growth and sales in the technology industry, Mr. Tay began his career in Hudson Holdings Group in 1994, rose to the rank of Executive Director in year 1997. Guided by passion and entrepreneurship for business, Mr. Tay did a management buyout of his first business at the age of 27 in the form of an Information Communication Technology infrastructure integrator.

He formerly sat on the Information Technology Standardisation Board with Info-communication Development Authority of Singapore on e-payment and security chapter as well as Singapore Infocomm Technology Federation.

Mr. Tay has no other public company or public-listed company directorship.

Mr. Tay has attended training course conducted by Singapore Institute of Directors and as well as Business Continuity and Disaster Recovery courses conducted by the Business Continuity Institute. He pursued an uncompleted BSc Management (Econ) with University of London and hold a level 2 accounting qualification from Institute Of Singapore Chartered Accountant.

He has not attended any Board Meetings held during the financial year ended 31 December 2018 as he was appointed to the Board on 1 April 2019.

Board Of Directors (cont'd)

TAN JECK MIN
Executive Director
Gender : Male

JOHN CHIN SHOO TED
Senior Independent Non-Executive Director
Gender : Male

Mr. Tan Jeck Min, a Singaporean, aged 49, 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") experience having worked for a Hong Kong listed IT firm and US-based 3Com - both in their Singapore operations.

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.

He attended all four (4) Board Meetings held during the financial year ended 31 December 2018.

Mr. John Chin Shoo Ted, a Malaysian, aged 67, 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 - Humanity, an International Non-Government Organisation focused on building affordable houses with the poor.

In 2010, Mr. Chin founded TransforNation 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.

He attended three (3) out of four (4) Board Meetings held during the financial year ended 31 December 2018.

Board Of Directors (cont'd)

KOK CHEANG-HUNG
Independent Non-Executive Director
Gender : Male

Mr. Kok Cheang-Hung, a Malaysian, aged 48, 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.

He is also currently on the Finance Committee of the Singapore Institute of Directors (SID). With 24 years of global capital markets, investment, corporate governance 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.

He attended all four (4) Board Meetings held during the financial year ended 31 December 2018.

Notes :

- *None of the Directors have family relationship with other Directors and/or major shareholders of the Company.*
- *None of the Directors have any personal interest in any business arrangement involving the Group.*
- *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 2018.*

PROFILES OF KEY MANAGEMENT

EDMOND TAY NAM HIONG
Executive Director / Chief Executive Officer
Gender : Male

The details of Mr. Edmond Tay Nam Hiong are disclosed in the Board of Directors section 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 section of this Annual Report.

Profiles Of
Key Management (cont'd)

TEO CHONG MENG PHILIP DOMINIC
Chief Technology Officer
Gender : Male

CHAN WEI KHUEN
Group Finance Manager
Gender : Male

Mr. Teo Chong Meng Philip Dominic, a Singaporean, aged 51, is our Chief Technology Officer. He has resigned as Executive Director on 29 April 2019. After his resignation, Mr Teo continue to lead and manage the overall technology direction as well as oversee the technical operations of the Group.

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.

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. Chan Wei Khuen, a Malaysian, aged 38, 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.

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 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 38, 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 15 years of experience in finance and accounting.

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

Notes :

- *None of the key senior management has family relationship with any other Directors and/or major shareholders of the Company.*
- *None of the key senior management has any personal interest in any business arrangement involving the Group.*
- *None of the key senior management has 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 2018.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**Board**") of Kronologi Asia Berhad ("**Company**") recognises the importance of good corporate governance and is committed towards upholding high standards of coporate governance for corporate development, as well as the protection and enhancement of shareholder value. The Board is pleased to present 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 2018 ("**FY2018**"). 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 2018 of the Company ("**CG Report**") which is available on the Company website at **www.kronologi.asia**, as well as via an announcement on the website of Bursa Securities.

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 FY2018.

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.

In line with the Code and in view of the gained attention of boardroom diversity as an important element of a well-functioned organisation, the Board has adopted a Gender Diversity Policy which provides a framework for the Company to improve its gender diversity. The Board opined that candidature to the Board should also take into consideration on the candidate's merits, capability, experience, skill-sets and integrity.

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 Sandz Solutions (Singapore) Pte Ltd announced to Bursa Securities in 2018;

- 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;

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.

In order to ensure the effective discharge of its fiduciary duties, 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; and
d. Share Grant Plan Committee.

Each Committee operates in accordance with respective terms of reference approved by the Board and is available at the Company's website at www.kronologi.asia. The Board appoints the members and Chairman of each Committee. These Committees are authorised to deal with the matters delegated to them and report to the Board on their proceedings and deliberation together with its receommendations to the Board for approval.

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 establishing and maintaining internal controls and reinforcing the independence of the Company's internal and external auditors, thereby ensuring that the auditors have autonomy and independence in their audit process.

The composition of the Audit Committee and the activities carried out during the FY2018 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 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 entirely of Independent Non-Executive Directors as follows:

Name	Designation
John Chin Shoo Ted, Chairman	Senior Independent Non-Executive Director
Kok Cheang-hung, Member	Independent Non-Executive Director
Geoffrey Ng Ching Fung, Member (Appointed on 1 January 2019)	Independent Non-Executive Chairman
Tan Wee Seng, Gerard, Member (Resigned on 1 January 2019)	Independent Non-Executive Chairman

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 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 shall meet at least once a year or meet 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.

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 forms, 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. Teo Chong Meng, Philip Dominic and Mr. Kok Cheang-hung as Directors at the last Annual General Meeting ("**AGM**") held on 1 June 2018.
- Reviewed, assessed and recommended to the Board the appointment of Mr. Geoffrey Ng Ching Fung as the Independent Non-Executive Chairman.

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 entirely of Independent Non-Executive Directors as follows:

Name	Designation
John Chin Shoo Ted, Chairman	Senior Independent Non-Executive Director
Kok Cheang-hung, Member	Independent Non-Executive Director
Geoffrey Ng Ching Fung, Member (Appointed on 1 January 2019)	Independent Non-Executive Chairman
Teo Chong Meng Philip Dominic (Resigned on 26 February 2018)	Executive Director/ Acting Group Chief Executive Officer/ Chief Technology
Tan Jeck Min (Resigned on 26 February 2018)	Executive Director
Tan Wee Seng, Gerard, Member (Resigned on 1 January 2019)	Independent Non-Executive Chairman

The Remuneration Committee shall meet at least once a year or meet 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 Director's fee for the new Director of the Company.

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
Yee Chin Fui, Member	Group Human Resource Director
Geoffey Ng Ching Fung, Member (Appointed on 1 January 2019)	Independent Non-Executive Chairman
Tan Wee Seng, Gerard, Member (Resigned on 1 January 2019)	Independent Non-Executive Chairman

The SGP Committee meets as and when required. The SGP Committee met once during the financial year under review to deliberate and approve the implementation of Share Grant Plan of the Company.

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 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 Whistle Blowing 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 and to take appropriate actions to resolve efffectively.

The Whistle Blowing Policy is available at the Company's website at www.kronologi.asia/investor-relations.html.

A. THE BOARD (CONT'D)

iv. Board Meetings and Supply of Information

The Board meets at least once every quarter on a scheduled basis and additional meetings to be convened, where necessary. All the Directors have attended more than 50% of the total Board Meetings held during the FY2018 and complied with the requirement on attendance at Board Meetings as stipulated in the AMLR of Bursa Securities.

A total of four (4) Board Meetings were held during the FY 2018. The Directors' attendance at the Board meetings are set out as follows:

Name of Directors	Attendance
Tan Jeck Min	4/4
John Chin Shoo Ted	3/4
Kok Cheang-Hung	4/4
Geoffrey Ng Ching Fung (Appointed on 1 January 2019)	–
Edmond Tay Nam Hiong (Appointed on 1 April 2019)	–
Teo Chong Meng Philip Dominic (Resigned on 29 April 2019)	4/4
Tan Wee Seng Gerard (Resigned on 1 January 2019)	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 AMLR of Bursa Securities.

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.

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 FY2018 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 whose tenure has exceeded a cumulative term of 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 to keep abreast of changes in both the regulatory and business environments as well as with new development within the industry which the Group operates.

During the FY2018, the Directors of the Company have attended the in-house briefing session conducted by the Secretary of the Company on the New Constitution under the Companies Act 2016.

A. THE BOARD (CONT'D)

ix. Directors' Training (cont'd)

Besides the above briefing, the Directors have also attended the following seminars during the FY 2018 to further enhance their knowledge and skills:

Name of Directors	Training attended
Teo Chong Meng Philip Dominic	- Quantum Sales Kick Off
Kok Cheang-hung	- Promoting Digital Financial Services in Agriculture: The Next Step (by United Nations Capital Development Fund & LightCastle Partners), Dhaka - Myanmar Entrepreneurship Summit 2018, Naypyitaw - BlockShow Asia 2018, Singapore - Singapore Fintech Festival 2018, Singapore - Framework for Building and Sustaining Competitive Advantage (by CEIBS – China Europe International Business School), Singapore - Mandatory Accreditation Programme (by The Iclif Leadership and Governance Centre), Malaysia

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.

The Company had established a formal and transparent Remuneration Policy which sets out the principles and guidelines for the Board and Remuneration Committee to determine the remuneration of Directors and/or Senior Management of the Company. The Remuneration Policy is available at the Company's website at www.kronologi.asia.

Independent 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 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.

A. THE BOARD (CONT'D)

x. Directors' Remuneration (cont'd)

The remuneration of the Directors of the Company and the Group for the 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
John Chin Shoo Ted	72,000	–	2,000	74,000
Kok Cheang-hung	60,000	–	2,000	62,000
Geoffrey Ng Ching Fung (Resigned on 31 January 2018 and subsequently appointed on 1 January 2019)	5,000	–	–	5,000
Philip Dominic Teo Chong Meng (Resigned on 29 April 2019)	48,000	–	–	48,000
Tan Wee Seng Gerard (Resigned on 1 January 2019)	120,000	–	2,000	122,000
TOTAL	**353,000**	**–**	**6,000**	**359,000**

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	505,310	37,020	–	590,330
John Chin Shoo Ted	72,000	–	–	2,000	74,000
Kok Cheang-hung	60,000	–	–	2,000	62,000
Geoffrey Ng Ching Fung (Resigned on 31 January 2018 and subsequently appointed on 1 January 2019)	5,000	–	–	–	5,000
Philip Dominic Teo Chong Meng (Resigned on 29 April 2019)	48,000	503,085	37,019	–	588,104
Tan Wee Seng Gerard (Resigned on 1 January 2019)	120,000	–	–	2,000	122,000
TOTAL	**353,000**	**1,008,395**	**74,039**	**6,000**	**1,441,434**

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

xi) Remuneration of Senior Management

Due to confidentiality, sensitively and security concerns, the Board is of the view that 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.

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 to promote comprehensive, accurate and timely disclosures pertaining to the Company and the Group to regulators, shareholders and stakeholders.

C. THE SHAREHOLDERS (CONT'D)

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. Notice of AGM and annual reports are sent out to the shareholders at least 28 days before the date of the Meeting.

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.

AUDIT COMMITTEE REPORT

OBJECTIVES

The primary objective of the Audit Committee ("**Committee**") of Kronologi Asia Berhad ("**Kronologi**" or "**Company**") is to assist the Board of Directors ("**Board**") in discharging 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 ("**AMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"):

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

Members: Geoffrey Ng Ching Fung (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 2018

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	Attendance
Kok Cheang-Hung	4/4
John Chin Shoo Ted	3/4
Geoffrey Ng Ching Fung (Appointed on 1 January 2019)	–
Tan Wee Seng Gerard (Resigned on 1 January 2019)	4/4

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 2018 (CONT'D)

The Committee had carried out the following activities during the financial year ended 31 December 2018 ("**FY 2018**") 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 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, audit plan and scope of the statutory audit for the FY 2018 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 AMLR.

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; and

9. 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 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 FY 2018 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.

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.

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.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

IA Activities (cont'd)

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

i. IA Plan for the Group

The Group's IA Plan for FY 2018 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. 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 FY 2018 was RM35,000.

Evaluation of performance of the Internal Auditors

The Committee had collectively evaluated the performance of the Internal Auditors for the FY 2018 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26 (b) of the ACE Market Listing Requirements ("**AMLR**") 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 AMLR 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 ("**Internal Control Guidelines**").

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 that 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.

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.

The second stage was expected to complete in year 2018, however due to unforeseen circumstance, the second stage had yet to be completed. The management expect that it will be completed in year 2019.

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 2018 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;

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.

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 2018, 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 2018, the Internal Auditors have reviewed and evaluated the adequacy and effectiveness of the internal control system over credit management, payment, service delivery & support and procurement processes of 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 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 2018 was RM35,000.

REVIEW BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the AMLR 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 2018. 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 Internal Control Guidelines to be set out, nor is it factually inaccurate.

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 respects, for the financial year ended 31 December 2018.

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.

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 ("**Group**") as at 31 December 2018 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 2018, 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.

ADDITIONAL COMPLIANCE **INFORMATION**

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

Private placement

On 2 August 2018, the Company announced a proposal to undertake a private placement of new ordinary shares, representing up to 10% of the total number of issued shares in the Company.

Bursa Malaysia Securities Berhad had vide its letter dated 13 August 2018 approved the listing of and quotation for up to 36,255,400 new ordinary shares in the Company to be issued pursuant to the said private placement.

The gross proceeds from the Private Placement amounted to RM22.986 million and the status of the utilisation of the proceeds raised as at 31 December 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)	Future business development and expansion	8,000	(8,000)	–	–	Within 24 months
2)	Managed services cum transnational infrastructure equipment	10,000	–	–	10,000	Within 24 months
3)	Working capital	4,466	(4,736)	270	–	Within 24 months
4)	Estimated expenses	520	(250)	(270)	–	Within 2 weeks
	Total gross proceeds	22,986	(12,986)	–	10,000	

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 2018 ("FY 2018") are as follows:-

	Group RM	Company RM
Audit Fee	153,000	139,000
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 FY 2018 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 FY 2018.

5. SHARE GRANT PLAN ("SGP")

The SGP of up to 30% of the issued share capital of the Company at any time during the existence of the SGP, to be granted and/or issued to the eligible Directors and employees of the Company and its subsidiaries is governed by the SGP By-Laws.

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, holds 20% or more of the total number of issued shares (excluding treasury shares) of the Company, does not exceed 10% of the total number of shares to be issued under the SGP.

Details in the movement of the shares granted during FY 2018 are as follows:-

	Number of shares over ordinary shares		
	Employees	**Directors (including chief executive officer)**	**Total**
Total shares granted at exercised price of RM0.805	2,108,400	–	2,108,400
Total shares exercised at exercised price of RM0.805	(2,108,400)	–	(2,108,400)
Total shares outstanding	–	–	–

The actual allocation of SGP to senior management during the FY 2018 is 6.85%.

SUSTAINABILITY STATEMENT

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 2018, the Group raised and contributed a total of SGD23,888/- for the Filos Community Services Ltd.

Sustainability Statement (cont'd)

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The 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 has been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	16,259,754	18,141,878

DIVIDENDS

The Directors proposed a final single-tier dividend of 2 sen per ordinary share, amounting to RM7,976,000 in respect of the current financial year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

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

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
John Chin Shoo Ted
Tan Jeck Min
Kok Cheang-Hung
Geoffrey Ng Ching Fung (Appointed on 1 January 2019)
Edmond Tay Nam Hiong (Appointed on 1 April 2019)
Tan Wee Seng Gerard (Resigned on 1 January 2019)

*Directors'
Report (cont'd)*

DIRECTORS (CONT'D)

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

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:-

	Number of ordinary shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Interest in the Company				
Direct interest				
Tan Jeck Min	55,129,768	–	–	55,129,768
Teo Chong Meng Philip Dominic	35,250,000	–	(10,000,000)	25,250,000
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 25 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) 2,108,400 new ordinary shares at issue price of RM0.805 for a total consideration of RM1,697,262 pursuant to the Company share grant plan;

(b) 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 a subsidiary as disclosed in Note 6 to the financial statements;

(c) 10,204,081 new ordinary shares at issue price of RM0.98 for the total consideration of RM10,000,000 pursuant to the acquisition of a subsidiary as disclosed in Note 6 to the financial statements; and

(d) 36,255,400 new ordinary shares at issue price of RM0.634 for a total consideration of RM22,985,924 pursuant to the private placement.

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.

Directors' Report (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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.

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

The significant events during and after the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

Details of auditors' remuneration are set out in Note 24 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, retire and are not seeking re-appointment at the forthcoming Annual General Meeting.

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

....)
TEO CHONG MENG PHILIP DOMINIC)
)
)
) **DIRECTORS**
)
)
....)
TAN JECK MIN)

Singapore
23 April 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 55 to 124 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

....
TEO CHONG MENG PHILIP DOMINIC

....
TAN JECK MIN

Singapore
23 April 2019

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 55 to 124 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 23 April 2019)
)

....
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 2018 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 55 to 124.

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 2018 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 8 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, 18 and 23 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.

Independent Auditors' Report (cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Valuation of goodwill

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.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 and 7 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

LIAN TIAN KWEE
(NO: 02943/05/2019J)
CHARTERED ACCOUNTANT

Kuala Lumpur
23 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	21,384,466	9,815,737	267,548	302,112
Goodwill on consolidation	5	62,904,172	62,358,187	–	–
Investment in subsidiaries	6	–	–	62,764,100	62,764,100
Investment in an associate	7	12,640,427	–	12,553,024	–
Intangible assets	8	4,530,309	4,061,883	4,530,309	4,061,883
Other receivables	9	2,557,866	1,124,961	–	–
Deferred tax assets	10	169,879	72,836	–	–
Total non-current assets		104,187,119	77,433,604	80,114,981	67,128,095
Current assets					
Inventories	11	34,339,025	36,593,232	–	–
Trade receivables	12	28,701,975	42,474,491	–	–
Other receivables	9	7,086,500	4,830,718	479,151	167,870
Amount due from subsidiaries	6	–	–	38,720,133	12,643,653
Amount due from an associate	7	2,631,358	–	–	–
Tax recoverable		60,485	63,350	–	–
Other investment	13	21,109,714	–	21,109,714	–
Fixed deposit with a licensed bank		16,547,728	–	–	–
Cash and bank balances	14	31,783,907	35,100,396	2,107,887	20,393,732
Total current assets		142,260,692	119,062,187	62,416,885	33,205,255
Total assets		246,447,811	196,495,791	142,531,866	100,333,350
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	15	130,600,898	81,104,128	130,600,898	81,104,128
Share premium	15	–	10,493,584	–	10,493,584
Merger deficit	16	(17,406,096)	(17,406,096)	–	–
Exchange translation reserve	17	3,161,434	2,291,543	–	–
Retained earnings/(Accumulated losses)		47,164,160	33,414,653	11,549,280	(6,592,598)
Total equity		163,520,396	109,897,812	142,150,178	85,005,114

Statements of Financial Position (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
LIABILITIES					
Non-current liabilities					
Deferred income	18	8,104,229	3,219,141	–	–
Finance lease liabilities	19	8,087,049	1,434,371	–	–
Other payables	20	75,247	78,254	–	–
Deferred tax liabilities	10	894,572	868,740	–	–
Total non-current liabilities		17,161,097	5,600,506	–	–
Current liabilities					
Trade payables	21	21,840,915	31,605,612	–	–
Other payables	20	7,354,930	27,767,484	354,356	15,308,736
Deferred income	18	10,844,325	6,778,279	–	–
Finance lease liabilities	19	3,585,528	1,181,843	–	–
Borrowings	22	21,193,331	13,121,831	–	–
Current tax payable		947,289	542,424	27,332	19,500
Total current liabilities		65,766,318	80,997,473	381,688	15,328,236
Total liabilities		82,927,415	86,597,979	381,688	15,328,236
Total equity and liabilities		246,447,811	196,495,791	142,531,866	100,333,350

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 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	23	163,065,116	144,369,626	20,012,750	456,171
Cost of sales		(122,790,825)	(110,612,155)	(196,019)	(51,042)
Gross profit		40,274,291	33,757,471	19,816,731	405,129
Other income		675,420	2,317,935	688,664	171,599
Selling and distribution expenses		(12,590,898)	(11,088,232)	–	–
Operating expenses		(10,848,220)	(11,793,155)	(2,726,200)	(3,277,426)
Finance income		501,613	254,514	416,699	3,000
Finance cost		(1,098,512)	(469,380)	–	–
Share of results of equity-accounted associate		66,300	–	–	–
Profit/(Loss) before tax	24	16,979,994	12,979,153	18,195,894	(2,697,698)
Tax expense	26	(720,240)	(916,222)	(54,016)	(51,627)
Profit/(Loss) for the financial year, attributable to the owners of the Company		16,259,754	12,062,931	18,141,878	(2,749,325)
Other comprehensive income:-					
Item that will be reclassified subsequently to profit or loss					
Share of other comprehensive income of equity-accounted associate		21,103	–	–	–
Exchange translation differences		848,788	(4,035,353)	–	–
Total comprehensive income/(loss) for the financial year, attributable to the owners of the Company		17,129,645	8,027,578	18,141,878	(2,749,325)
Earnings per share attributable to the owners of the Company (sen)	27				
- Basic		4.51	4.36		
- Diluted		*	4.10		

* *No diluted earnings per share is presented as there are no potential dilutive ordinary shares at the end of 31 December 2018.*

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	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 2017		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	15	56,292,500	–	–	–	–	56,292,500
Balance as at 31 December 2017, as previously stated		81,104,128	10,493,584	(17,406,096)	2,291,543	33,414,653	109,897,812
- Effect of adoption of MFRS 15 (Note 2(d))		–	–	–	–	(2,510,247)	(2,510,247)
Balance as restated		81,104,128	10,493,584	(17,406,096)	2,291,543	30,904,406	107,387,565
Exchange translation differences		–	–	–	869,891	–	869,891
Profit for the financial year		–	–	–	–	16,259,754	16,259,754
Total comprehensive income for the financial year		–	–	–	869,891	16,259,754	17,129,645
Transition to no par regime	15	10,493,584	(10,493,584)	–	–	–	–
Transaction with owners:							
Issuance of share capital	15	39,003,186	–	–	–	–	39,003,186
Balance as at 31 December 2018		130,600,898	–	(17,406,096)	3,161,434	47,164,160	163,520,396

Statements of Changes in Equity (cont'd)

	Note	Share capital RM	Non-distributable Share premium RM	Distributable (Accumulated losses)/Retained earnings RM	Total RM
		← Attributable to owners of the Company			→
Company					
Balance as at 1 January 2017		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	15	56,292,500	–	–	56,292,500
Balance as at 31 December 2017		81,104,128	10,493,584	(6,592,598)	85,005,114
Total comprehensive income for the financial year		–	–	18,141,878	18,141,878
Transition to no par regime	15	10,493,584	(10,493,584)	–	–
Transaction with owners:					
Issuance of share capital	15	39,003,186	–	–	39,003,186
Balance as at 31 December 2018		130,600,898	–	11,549,280	142,150,178

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		16,979,994	12,979,153	18,195,894	(2,697,698)
Adjustments for:-					
Amortisation of intangible assets		196,019	51,042	196,019	51,042
Depreciation of property, plant and equipment		6,458,867	4,547,910	34,564	34,402
Dividend income from a subisidiary		–	–	(10,092,750)	–
Gain on disposal of property, plant and equipment		(118)	(16,557)	–	–
Interest expense		1,098,512	469,380	–	–
Interest income		(501,613)	(254,514)	(273,571)	(171,599)
Inventories write-down		1,202,171	6,422	–	–
Property, plant and equipment written off		385,785	47,068	–	–
Reversal of impairment loss on trade receivables		–	(277,447)	–	–
Reversal of inventories write-down		–	(24,017)	–	–
Share grant expenses		1,697,262	–	58,202	–
Share of results of equity-accounted associate		(66,300)	–	–	–
Unrealised (gain)/loss on foreign exchange		(1,319,274)	2,269,396	(257,559)	266,838
Operating profit/(loss) before working capital changes		26,131,305	19,797,836	7,860,799	(2,517,015)
Changes in working capital:-					
Inventories		1,547,838	(13,793,847)	–	–
Receivables		10,565,506	(2,128,099)	(311,281)	402,471
Payables		(15,643,972)	(11,378,300)	(751,084)	93,494
Subsidiaries		–	–	(9,440,000)	–
Deferred income		8,538,103	(2,235,072)	–	–
Associate		(2,567,856)	–	–	–
Cash generated from/(used in) operations		28,570,924	(9,737,482)	(2,641,566)	(2,021,050)
Interest received		501,613	254,514	273,571	171,599
Tax paid		(1,229,540)	(277,068)	(46,184)	(32,127)
Net cash from/(used in) operating activities		27,842,997	(9,760,036)	(2,414,179)	(1,881,578)

Statements of Cash Flows (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
INVESTING ACTIVITIES					
Investment in an associate		(12,553,024)	–	(12,553,024)	–
Purchase of property, plant and equipment	A	(6,482,028)	(2,876,681)	–	(3,797)
Proceeds from disposal of property, plant and equipment		60,837	398,390	–	–
(Advances to)/repayment from subsidiaries	B	–	–	(4,530,407)	481,002
Acquisition of subsidiaries, net of cash acquired (Note 6)		–	8,638,137	–	–
Addition of intangible assets (Note 8)		(664,445)	(826,248)	(664,445)	(826,248)
Net cash (used in)/from investing activities		(19,638,660)	5,333,598	(17,747,876)	(349,043)
FINANCING ACTIVITIES	C				
Proceeds from issuance of share capital		22,985,924	21,972,500	22,985,924	21,972,500
Repayment of finance lease liabilities		(2,735,198)	(358,583)	–	–
Net drawdown of borrowings		7,614,219	10,684,534	–	–
Interest paid		(1,098,512)	(469,380)	–	–
Net cash from financing activities		26,766,433	31,829,071	22,985,924	21,972,500
CASH AND CASH EQUIVALENTS					
Net movement		34,970,770	27,402,633	2,823,869	19,741,879
Effect of exchange translation differences		(629,817)	(579,579)	–	–
At beginning of the financial year		35,100,396	8,277,342	20,393,732	651,853
At end of the financial year	D	69,441,349	35,100,396	23,217,601	20,393,732

Statements of Cash Flows (cont'd)

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 RM18,190,545 (2017: RM5,243,827) of which RM11,708,517 (2017: RM2,367,146) were acquired by means of finance lease arrangements. Cash payments of RM6,482,028 (2017: RM2,876,681) 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 Nil (2017 : RM4,320,000) was set off with amount due from subsidiaries.

C. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group	
	Borrowings RM	Finance lease liabilities RM
At 1 January 2018	13,121,831	2,616,214
Cash flows	7,614,219	(2,735,198)
Purchase of property, plant and equipment	–	11,708,517
Foreign currency translation differences	457,281	158,800
Unrealised gain on foreign exchange	–	(75,756)
At 31 December 2018	21,193,331	11,672,577

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statements of Cash Flows comprise the following:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other investment (Note 13)	21,109,714	–	21,109,714	–
Fixed deposit with a licensed bank	16,547,728	–	–	–
Cash and bank balances	31,783,907	35,100,396	2,107,887	20,393,732
	69,441,349	35,100,396	23,217,601	20,393,732

Fixed deposits bears interest rate of 2.36% (2017:Nil) per annum and had maturity period of 1 month from reporting date.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2018

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 23 April 2019.

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.

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.

2. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement (cont'd)

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 new standards/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 new standards/ amendments/improvements to MFRSs and IC Int which are mandatory for the financial period beginning on or after 1 January 2018.

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supercedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 January 2018.

2. BASIS OF PREPARATION (CONT'D)

(d) Adoption of new standards/amendments/improvements to MFRSs and IC Interpretations ("IC Int") (cont'd)

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

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The effect of adopting MFRS 15 as at 1 January 2018 was, as follows:

Statements of Financial Position

Group	As previously reported RM	MFRS 15 adjustments RM	As restated RM
1 January 2018			
Asset/(liabilities)			
Other receivables	5,955,679	1,588,326	7,544,005
Other payables	(27,845,738)	1,479,576	(26,366,162)
Deferred income	(9,997,420)	(5,578,149)	(15,575,569)
	(31,887,479)	(2,510,247)	(34,397,726)
Net impact on equity/retained earnings	33,414,653	(2,510,247)	30,904,406

Statements of Profit or Loss and Other Comprehensive income

Group	As previously reported RM	MFRS 15 adjustments RM	As restated RM
1 January 2018			
Revenue from contracts with customers	144,369,626	(5,578,149)	138,791,477
Cost of sales	(110,612,155)	3,067,902	(107,544,253)
Gross profit	33,757,471	(2,510,247)	31,247,224

There is no material impacts on the Company's financial position and performance upon adoption of MFRS 15.

The nature of these adjustments are described as below:

Bundled sales of equipment and installation services

Before the adoption of MFRS 15, the Group accounted for the equipment and installation service as separate deliverables within bundled sales and allocated consideration to each deliverable using the relative fair value approach.

Under MFRS 15, the Group assessed that there were two performance obligations in a contract for bundled sales of equipment and installation services and performed a re-allocation of the transaction price based on their relative stand-alone selling prices, which decreased the amount allocated to installation services.

2. BASIS OF PREPARATION (CONT'D)

(d) Adoption of new standards/amendments/improvements to MFRSs and IC Interpretations ("IC Int") (cont'd)

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139.

Impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of MFRS 9, the Company assessed the additional impairment on the Group's trade receivables to be immaterial.

(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 2019:

MFRS 16	Leases
Amendments to MFRS 9*#	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119*#	Employee Benefits: Plan Amendment, Curtailment or Settlement
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 2015-2018 Cycle*#	

Amendments to MFRSs and Amendments to References to the Conceptual Framework Standards effective 1 January 2020:-

Amendments to MFRS 3*	Business Combinations: Definition of a business
Amendments to MFRS 101	Presentation of Financial Statements: Definition of material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of material

Amendments to References to the Conceptual Framework in MFRS Standards (MFRS 2, 3, 6, 14, 101, 128, 134, 137, 138 and IC Interpretation 12, 19, 20, 22, 132)

MFRS effective 1 January 2021:-

MFRS 17*	Insurance Contracts

2. BASIS OF PREPARATION (CONT'D)

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

Amendments to MFRS – effective date deferred indefinitely:-

Amendments to MFRS 10 and 128*	Consolidated Financial Statements and Investments in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* Not applicable to the Company's operation
\# Not applicable to the Group's operations

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 16 Leases

MFRS 16 was issued in January 2016 and it 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. IFRS 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 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., 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.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MRFS 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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group expects a significant increase in total assets and total liabilities due to the recognition of right-of-use assets and lease liabilities. Due to the straight-line method of depreciating right-of-use assets, the capitalised right-of-use assets will be lower than the lease liabilities resulting in a lower net asset at the date of initial application. Going forward, depreciation charges and interest expense will be reported in the profit or loss instead of rental expense of land and building. This will give rise to a significant improvement of Group's profit for the year.

The overall effects of MFRS 16 is currently being assessed as part of a Group-wide project for implementing MFRS 16 and a reliable estimate of the quantitative effects is not yet available.

2. BASIS OF PREPARATION (CONT'D)

(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 2018, management assesses that the useful lives represent the expected utilisation of the assets to the Group and the Company.

The carrying amount of the Group's and of the Company's property, plant and equipment and intangible assets with definite useful life at the end of the financial year is disclosed on Notes 4 and 8 to the financial statements.

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 8 to the financial statements.

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 11 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.

2. BASIS OF PREPARATION (CONT'D)

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

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Note 12 and Note 31(B)(a) to the Financial Statements.

Tax expenses

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.

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 10 and 26 to the financial statements respectively.

2. BASIS OF PREPARATION (CONT'D)

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

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

The Group capitalises costs for development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

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.

Estimating stand-alone selling price

The Group provides installation and maintenance services that are either sold separately or bundled together with the sale of goods to a customer. The installation and maintenance services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both the goods, installation and maintenance are capable of being distinct. The fact that the Group regularly sells both goods, installation and maintenance on a stand-alone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the goods and to provide installation are distinct within the context of the contract. The goods, installation and maintenance are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the goods, installation and maintenance together in this contract do not result in any additional or combined functionality and neither the goods nor the installation or maintenance modify or customise the other. In addition, the goods and installation are not highly interdependent or highly interrelated, because the Group would be able to transfer the goods even if the customer declined installation and maintenance and would be able to provide installation and maintenance in relation to products sold by other distributors.

Consequently, the Group allocated a portion of the transaction price to the goods and the installation and maintenance services based on relative stand-alone selling prices.

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)

Associate

Associate is an entity in which the Group and the Company has significant influence, but no control, over their financial and operating policies.

The Group's and the Company's investment in its associate is accounted for using the equity method. Under the equity method, investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's and the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's and the Company's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group and the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group or the Company and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's and the Company's share of profit or loss of an associate is shown on the face of the statements of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

When the Group's and the Company's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group and the Company has an obligation or has made payments on behalf of the associate.

The financial statements of the associate are prepared as of the same reporting period as the Group and the Company. Where necessary, adjustments are made to bring the accounting policies of the associate in line with those of the Group and the Company.

After application of the equity method, the Group and the Company determine whether it is necessary to recognise an additional impairment loss on the Group's and the Company's investments in its associate. The Group and the Company determines at each end of the reporting period whether there is any objective evidence that the investments in the associate is impaired. If there is such evidence, the Group and the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency translation

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.

3.3 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets (cont'd)

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.

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

3.6.1 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 are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risk and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.2 Financial asset - categorisation and subsequent measurement

Accounting policies applied from 1 January 2018

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

(a) amortised cost ("AC")
(b) fair value through profit or loss ("FVTPL")
(c) fair value through other comprehensive income ("FVOCI")

In the years presented, the Group and the Company does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's trade and other receivables, amount due from subsidiaries and an associate and cash and cash balances fall into this category of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.2 Financial asset - categorisation and subsequent measurement (cont'd)

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

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains an investment in cash management fund. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Accounting policies applied until 31 December 2017

For the purpose of subsequent measurement, financial assets 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.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at end of each reporting year. 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 and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

As at the reporting date, the Group and the Company carry only loans and receivables on its statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.2 Financial asset - categorisation and subsequent measurement (cont'd)

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

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 allowance 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 year which are classified as non-current assets.

3.6.3 Financial liabilities – categorisation and subsequent measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

3.6.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.5 Financial assets – impairment

Accounting policies applied from 1 January 2018

MFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group and the Company make use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group and the Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 31(B)(a) to accounts for a detailed analysis of how the impairment requirements of MFRS 9 are applied.

Accounting policies applied until 31 December 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.5 Financial assets – impairment (cont'd)

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

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.

3.7 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 are readily convertible to known amount of cash and subject to insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3.10 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

Revenue from sales of goods, installation and maintenance services

The Group provides installation and maintenance services that are either sold separately or bundled together with the sale of goods to a customer. The installation and maintenance services can be obtained from other providers and do not significantly customise or modify the goods.

Contracts for bundled sales of goods, installation and maintenance are comprised of three performance obligations because the promises to transfer goods, installation and maintenance services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the goods, installation and maintenance.

The Group recognises revenue from installation and maintenance services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the goods are recognised at a point in time, generally upon delivery of the goods.

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

Licensing fee

Revenue from licensing fee is recognised in the accounting period for the licensing of right to use the FABRiK framework.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue recognition (cont'd)

Revenue from other sources

Interest income

Interest income is recognised using the effective interest method in profit or loss.

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.

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 are recognised in profit or loss.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax expense (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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 estimates the asset's or cash-generating unit's recoverable amount.

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 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.

3.16 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 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.

3.18 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; or
- (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; or
- (b) one entity is an associate or joint venture of the other entity; or
- (c) both entities are joint ventures of the same third party; or
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- (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; or
- (f) the entity is controlled or jointly-controlled by a person identified in (i) above; or
- (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; or
- (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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 2017	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
Additions	18,164,294	23,300	2,951	–	–	18,190,545
Disposals	(165,736)	–	–	–	–	(165,736)
Written off	(11,984,635)	(42,449)	–	–	–	(12,027,084)
Foreign currency translation differences	306,804	5,507	3,605	13,631	5,163	334,710
At 31 December 2018	31,306,574	820,693	388,600	853,698	256,930	33,626,495
Accumulated depreciation						
At 1 January 2017	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
Charge for the financial year	6,185,507	132,550	44,001	46,664	50,145	6,458,867
Disposals	(105,017)	–	–	–	–	(105,017)
Written off	(11,605,925)	(35,374)	–	–	–	(11,641,299)
Foreign currency translation differences	22,756	6,446	3,309	13,454	5,190	51,155
At 31 December 2018	10,446,825	620,379	207,014	736,240	231,571	12,242,029
Net carrying amount						
At 31 December 2018	20,859,749	200,314	181,586	117,458	25,359	21,384,466
At 31 December 2017	9,036,343	317,578	222,340	163,945	75,531	9,815,737

The carrying amount of the cloud computing assets and motor vehicles held under finance lease are RM16,929,686 (2017: RM3,858,695) and RM25,360 (2017: RM75,531) respectively at the end of the financial year.

Notes to the
Financial Statements (cont'd)

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

	Renovation RM	Office equipment RM	Furniture and fittings RM	Total RM
Company				
Cost				
At 1 January 2017	121,733	10,289	209,821	341,843
Additions	1,115	2,682	–	3,797
At 31 December 2017/2018	122,848	12,971	209,821	345,640
Accumulated depreciation				
At 1 January 2017	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
Charge for the financial year	12,285	1,297	20,982	34,564
At 31 December 2018	27,565	3,319	47,208	78,092
Net carrying amount				
At 31 December 2018	95,283	9,652	162,613	267,548
At 31 December 2017	107,568	10,949	183,595	302,112

5. GOODWILL ON CONSOLIDATION

	Group	
	2018 **RM**	**2017** **RM**
At 1 January	62,358,187	26,384,295
Acquisition of a subsidiary	–	38,815,272
Effect on exchange translation differences	545,985	(2,841,380)
At 31 December	62,904,172	62,358,187

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

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% to 10% (2017: 5.00% to 10.00%) per annum.
- Expenses were projected at an annual increase of approximately 4% to 8% (2017: 8.00%) per annum.
- A pre-tax discount rate of range of approximately 12.70% (2017: 17.62%) 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. SUBSIDIARIES

A. Investment in subsidiaries

	Company 2018 RM	2017 RM
Unquoted shares, at cost	62,764,100	62,764,100

The details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation	Effective interest 2018 %	2017 %	Principal activities
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.* ("KS")*	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	100	Investment holding and infrastructure technology business providing data protection, hardware and software solutions to enterprises.
Subsidiaries of QSA				
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.
Subsidiary of QSI				
Quantum Storage (India) Pvt Ltd*	India	100	100	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.

6. SUBSIDIARIES (CONT'D)

A. Investment in subsidiaries (cont'd)

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

Name of subsidiaries	Country of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
Subsidiaries of QHK				
Quantum Storage (Hong Kong) Limited*	Hong Kong	100	100	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.
Quantum Taiwan Limited*	Taiwan	100	100	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.
Subsidiary of KS				
Kronicles (Hong Kong) Limited*	Hong Kong	100	–	Managed services business providing a holistic comprehensive and automated daily backup targeted at medium sized enterprises.

* *The companies are audited by other firms of auditors.*

Acquisition of a subsidiary

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.

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.

6. SUBSIDIARIES (CONT'D)

A. Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (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
Fair value of consideration:	
Cash consideration	–
Equity instruments issued	30,000,000
Contingent consideration recognised as at acquisition date	15,000,000
	45,000,000
Fair value of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	847,740
Inventories	9,568,301
Trade and other receivables	18,334,387
Deferred tax liabilities	(133,263)
Cash and cash equivalents	8,638,137
Trade and other payables	(30,990,044)
Current tax liabilities	(80,530)
	6,184,728
Net cash (inflow)/outflow arising from acquisition of subsidiaries	
Cash and cash equivalents acquired	(8,638,137)
Goodwill recognised as a result of the acquisition as follows:	
Fair value of consideration	45,000,000
Fair value of identifiable net assets	(6,184,728)
	38,815,272

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.

Acquisition-related costs

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

6. SUBSIDIARIES (CONT'D)

A. Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (cont'd)

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

From the date of acquisition, acquired subsidiary has contributed RM15,366,071 and RM1,404,687 to the Group's revenue and profit in prior 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 of prior year from its continuing operations would have been RM79,208,151 and RM5,268,475 respectively.

Incorporation of a subsidiary

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 in Hong Kong.

B. Amount due from subsidiaries

	Company	
	2018 RM	2017 RM
Trade	19,782,330	–
Non-trade	18,937,803	12,643,653
	38,720,133	12,643,653

The trade balance included dividend receivable RM10,092,750 (2017: NIL). The normal trade credit terms granted by the Company is 30 days (2017: NIL).

Amount due from subsidiaries are unsecured, bears no interest and repayable on demand.

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

	Company	
	2018 RM	2017 RM
US Dollar	12,745,888	2,320,908
Singapore Dollar	1,952,030	1,211,810

7. ASSOCIATE

A. Investment in an associate

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares outside Malaysia, at cost	12,553,024	–	12,553,024	–
Share of post-acquisition reserves	87,403	–	–	–
	12,640,427	–	12,553,024	–

7. ASSOCIATE (CONT'D)

A. Investment in an associate (cont'd)

The details of the associate are as follows:-

Name of associate	Country of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
Quantum China Limited ("QCL")	British Virgin Islands	16.67	–	Infrastructure technology business providing data protection, hardware and software solutions to enterprises.

The following table summarises the information of QCL for the financial year ended 31 December 2018, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's and the Company's interest in the associate.

	RM
Financial position	
Non-current assets	943,634
Current assets	21,738,314
Non-current liabilities	(1,127,777)
Current liabilities	(9,373,389)
Net assets	12,180,782
Summary of financial performance	
Net profit/total comprehensive income for the year	397,718
Included in the total comprehensive income is:	
Revenue	7,455,860
Depreciation	(2,792)
Interest income	9,879
Tax expenses	(244,176)
Reconciliation of net assets to carrying amount	
Group's share of net assets	2,030,536
Goodwill	10,609,891
Carrying amount in the Statements of Financial Position	12,640,427
Group's share of results	
Group's share of profit or loss	66,300
Group's share of other comprehensive income	21,103
Group's share of total comprehensive income	87,403

7. ASSOCIATE (CONT'D)

A. Investment in an associate (cont'd)

Contingent liabilities and capital commitments

The associate has no material contingent liabilities or capital commitments as at the reporting date.

B. Amount due from an associate

The amount due from an associate is trade in nature, interest free and with credit term of 60 days (2017: Nil).

8. INTANGIBLE ASSETS

	Group and Company			
	Development cost RM	Software with definite useful life RM	FABRiK framework with indefinite useful life RM	Total RM
Cost				
At 1 January 2017	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
Additions	664,445	–	–	664,445
Reclassification	(2,197,487)	1,757,989	439,498	–
At 31 December 2018	–	2,020,038	2,793,271	4,813,309
Accumulated amortisation				
At 1 January 2017	–	35,939	–	35,939
Amortisation for the financial year	–	51,042	–	51,042
At 31 December 2017	–	86,981	–	86,981
Amortisation for the financial year	–	196,019	–	196,019
At 31 December 2018	–	283,000	–	283,000
Net carrying amount				
At 31 December 2018	–	1,737,038	2,793,271	4,530,309
At 31 December 2017	1,533,042	175,068	2,353,773	4,061,883

8. 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 12.70% (2017: 17.62%) 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.

9. OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current				
Prepayments	2,557,866	1,124,961	–	–
Current				
Non-trade receivables	797,128	1,130,450	84,791	65,160
Deposits	964,411	907,938	84,332	84,332
Prepayments	5,324,961	2,792,330	310,028	18,378
Total current	7,086,500	4,830,718	479,151	167,870
Total other receivables	9,644,366	5,955,679	479,151	167,870

Prepayments amounting to RM7,353,924 (2017: RM3,633,651) of the Group is in respect of trade expenditure which are maintenance fees paid in advance to suppliers, represented by:

	Group	
	2018 RM	2017 RM
Current		
Within one year	5,324,961	2,792,330
Non-current		
Later than one year but not later than two years	1,312,230	926,174
Later than two years but not later than five years	1,005,926	198,787
More than five years	239,710	–
	2,557,866	1,124,961
	7,882,827	3,917,291

The foreign currency exposure profile of other receivables are as follows:-

	Group	
	2018 RM	2017 RM
Singapore Dollar	624,296	574,457
Thai Baht	16,131	15,696
Indonesian Rupiah	40,212	42,039
Indian Rupee	664,342	664,150
New Taiwan Dollar	25,442	25,632
Hong Kong Dollar	108,076	102,664

Notes to the Financial Statements (cont'd)

10. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2018 RM	2017 RM
Deferred tax assets	169,879	72,836
Deferred tax liabilities	(894,572)	(868,740)
	(724,693)	(795,904)

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

	2018 RM	2017 RM
At 1 January	(795,904)	(63,819)
Acquisition of subsidiary	–	(133,263)
Recognised in profit or loss (Note 26)	88,374	(632,492)
Foreign currency translation differences	(17,163)	33,670
At 31 December	(724,693)	(795,904)

The deferred tax assets/(liabilities) as at reporting date are made up of temporary difference arising from:-

	Group 2018 RM	2017 RM
Property, plant and equipment	(751,583)	(822,254)
Provisions	26,890	26,350
	(724,693)	(795,904)

11. INVENTORIES

	Group 2018 RM	Group 2017 RM
Trading goods	34,339,025	36,593,232
Recognised in profit or loss:		
Inventories recognised as cost of sales	100,795,951	93,554,883
Inventories write-down	1,202,171	6,422
Reversal of inventories write-down	–	(24,017)

12. TRADE RECEIVABLES

	Group 2018 RM	Group 2017 RM
Trade receivables	28,701,975	42,474,491
Less : Impairment losses		
At 1 January	–	(276,111)
Recovered	–	277,447
Foreign currency translation differences	–	(1,336)
At 31 December	–	–
	28,701,975	42,474,491

The normal trade credit terms granted to the trade receivables range from 7 to 90 days (2017: 7 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 are as follows:-

	Group 2018 RM	Group 2017 RM
US Dollar	12,380,151	851,966
Singapore Dollar	142,277	999,181
Indian Rupee	220,982	626,467
Euro	–	991,290
New Taiwan Dollar	23,616	141,866
Hong Kong Dollar	–	674,339

Notes to the Financial Statements (cont'd)

13. OTHER INVESTMENT

	Group and Company	
	2018	**2017**
	RM	**RM**
Financial asset at fair value through profit or loss		
<u>Current asset</u>		
Cash management fund	21,109,714	–

Cash management fund is a highly liquid investment which are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

14. CASH AND BANK BALANCES

The foreign currency exposure profile of the cash and bank balances are as follows:-

	Group	
	2018	**2017**
	RM	**RM**
US Dollar	37,909	4,089,309
Singapore Dollar	2,101,907	772,436
Thailand Baht	452	557
Philippines Peso	886	406
Indian Rupee	273,422	496,031
Indonesian Rupiah	4,311	6,170
New Taiwan Dollar	137,479	96,039
Hong Kong Dollar	724,283	52,108

15. SHARE CAPITAL

Share capital

	Group and Company			
	No. of ordinary shares		Amount	
	2018 Unit	2017 Unit	2018 RM	2017 RM
Issued and fully paid:-				
At 1 January	327,985,097	248,116,284	81,104,128	24,811,628
Issued during the financial year pursuant to:				
- Share grant plan	2,108,400	–	1,697,262	–
- Acquisition of subsidiaries:	32,460,649	52,868,813	14,320,000	34,320,000
- QSI	22,256,568	22,256,568	4,320,000	4,320,000
- QHK	10,204,081	30,612,245	10,000,000	30,000,000
- Private placement	36,255,400	27,000,000	22,985,924	21,972,500
	70,824,449	79,868,813	39,003,186	56,292,500
Transition to no-par value regime *	–	–	10,493,584	–
At 31 December	398,809,546	327,985,097	130,600,898	81,104,128

Share premium

	Group and Company	
	2018 RM	2017 RM
At 1 January	10,493,584	10,493,584
Transition to no-par value regime *	(10,493,584)	–
At 31 December	–	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.

16. 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.

17. EXCHANGE TRANSLATION RESERVE

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

18. DEFERRED INCOME

	Group 2018 RM	Group 2017 RM
Current		
Within one year	10,844,325	6,778,279
Non-current		
Later than one year but not later than two years	5,167,710	1,977,781
Later than two years but not later than five years	2,936,519	1,241,360
	8,104,229	3,219,141
	18,948,554	9,997,420

19. FINANCE LEASE LIABILITIES

	Group 2018 RM	Group 2017 RM
Minimum lease payments		
Payable within one year	4,269,207	1,336,542
Payable after one year but not later than two years	3,094,230	1,320,296
Payable after two years but not later than five years	5,828,870	179,870
	13,192,307	2,836,708
Less: Interest in suspense	(1,519,730)	(220,494)
	11,672,577	2,616,214
Present value of minimum lease payments		
Current:		
Payable within one year	3,585,528	1,181,843
Non-current:		
Payable after one year but not later than two years	2,662,495	1,256,050
Payable after two years but not later than five years	5,424,554	178,321
	8,087,049	1,434,371
	11,672,577	2,616,214

19. FINANCE LEASE LIABILITIES (CONT'D)

The average effective finance lease rate is between 6.22% and 7.47% (2017: 6.22% and 7.47%) per annum.

The lease terms range from 3 to 5 years (2017: 3 to 5 years) and are on fixed repayment bases.

The foreign currency exposure profile of the finance lease liabilities are as follows:-

	Group	
	2018 RM	**2017 RM**
Singapore Dollar	968,676	1,751,153

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

20. OTHER PAYABLES

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Non-current				
Non-trade payables	75,247	78,254	–	–
Current				
Non-trade payables	1,048,704	22,736,064	161,563	15,115,092
Accrual of expenses	5,753,036	4,597,714	192,793	193,644
Deposits received from customers	553,190	433,706	–	–
Total current	7,354,930	27,767,484	354,356	15,308,736
Total other payables	7,430,177	27,845,738	354,356	15,308,736

In prior year, included in the non-trade payables is an amount payable to the previous shareholder of QHK and QSI amounting RM15,000,000 and RM6,920,000 respectively as set out in Note 6 to the Financial Statements.

The foreign currency exposure profile of the other payables are as follows:-

	Group	
	2018 RM	**2017 RM**
US Dollar	688,149	–
Singapore Dollar	3,053,586	2,050,659
Indian Rupee	268,144	358,876
New Taiwan Dollar	65,707	35,479
Hong Kong Dollar	57,088	36,415
Others	20,377	34,346

Notes to the Financial Statements (cont'd)

21. TRADE PAYABLES

The normal trade credit terms granted by trade payables range from 30 to 180 days (2017: 30 to 60 days).

The foreign currency exposure profile of the trade payables are as follows:-

	Group	
	2018 RM	2017 RM
US Dollar	10,673,614	–
Singapore Dollar	141,906	29,891
Indian Rupee	2,565	68,607
Hong Kong Dollar	12,963	–
New Taiwan Dollar	–	85,816

22. BORROWINGS (UNSECURED)

Group

The borrowings consist of bills payable which have effective interest rates between 4.53% and 5.46% (2017: 3.7% and 4.3%) per annum and are repayable within the next 3 1/2 months (2017: 3 months). The borrowings are obtained by way of corporate guarantee by the Company.

23. REVENUE

Revenue comprise the following:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	115,845,640	120,884,910	–	–
Rendering of services	47,219,476	23,484,716	9,440,000	(23,829)
Dividend income	–	–	10,092,750	–
Licensing fee	–	–	480,000	480,000
	163,065,116	144,369,626	20,012,750	456,171

23. REVENUE (CONT'D)

Disaggregated revenue information

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Segments				
Types of good or service				
EDM infrastructure technology	152,839,176	138,426,225	–	–
EDM Managed services	10,225,940	5,943,401	–	–
Investment holding and others	–	–	20,012,750	456,171
Total revenue from contracts with customers	163,065,116	144,369,626	20,012,750	456,171
Geographical markets				
Singapore	100,387,922	69,706,327	20,012,750	456,171
India	9,777,025	13,650,910	–	–
Malaysia	1,454,633	2,569,343	–	–
Hong Kong and Taiwan	28,695,167	14,517,629	–	–
Others	22,750,369	43,925,417	–	–
Total revenue from contracts with customers	163,065,116	144,369,626	20,012,750	456,171
Timing of revenue recognition				
Goods transferred at a point in time	115,845,640	120,884,910	–	–
*Services transferred over time	47,219,476	23,484,716	20,012,750	456,171
Total revenue from contracts with customers	163,065,116	144,369,626	20,012,750	456,171

24. PROFIT/(LOSS) BEFORE TAX

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Auditors' remuneration				
- statutory audit	153,000	98,000	139,000	84,000
- other services	15,900	15,900	11,300	11,300
Other auditors				
- statutory audit	351,229	258,899	–	–
Rental of premises	2,735,328	2,417,181	180,000	201,651
Rental of office equipment	20,684	18,629	–	–
Realised (gain)/loss on foreign exchange	(74,814)	(35,038)	(428,162)	11,553

Notes to the Financial Statements (cont'd)

25. EMPLOYEE BENEFITS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Salaries, wages and bonuses	17,289,024	13,409,041	513,185	485,424
Defined contribution plans	1,473,390	1,904,787	56,944	60,174
Share grant expenses	1,697,262	–	58,202	–
Directors' emolument	1,441,434	1,538,678	359,000	388,000
	21,901,110	16,852,506	987,331	933,598
Amount capitalised to intangible assets	(664,445)	(810,021)	(36,726)	(44,059)
	21,236,665	16,042,485	950,605	889,539

The details of Directors' emoluments are as follows:-

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Remuneration	1,008,395	1,041,821	–	–
Fees	353,000	378,000	353,000	378,000
Defined contribution plans	74,039	108,857	–	–
Others	6,000	10,000	6,000	10,000
	1,441,434	1,538,678	359,000	388,000
Amount capitalised to intangible assets	(176,407)	(221,331)	–	–
	1,265,027	1,317,347	359,000	388,000

26. TAX EXPENSE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current tax				
- current year	811,504	275,290	54,832	42,000
- prior years	(2,890)	8,440	(816)	9,627
	808,614	283,730	54,016	51,627
Deferred tax (Note 10)				
- current year	171,587	1,698,400	–	–
- prior years	(259,961)	(1,065,908)	–	–
	(88,374)	632,492	–	–
	720,240	916,222	54,016	51,627

26. 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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit/(Loss) before tax	16,979,994	12,979,153	18,195,894	(2,697,698)
Tax at Malaysian statutory tax rate	4,075,199	3,114,996	4,367,015	(647,448)
Tax effect in respect of:-				
Effects of different tax rates in other jurisdictions	67,969	(1,080,195)	–	–
Income not subject to tax	(2,541,375)	(138,427)	(2,422,260)	–
Expenses not deductible for tax purposes	3,376,341	959,981	192,459	493,148
Partial tax exemption and tax incentives	(396,463)	(1,380,159)	–	–
Others	(91,894)	275,887	–	–
Tax impact from MFRS 15	(424,976)	–	–	–
Movement of deferred tax assets not recognised	(1,504,344)	221,607	(435,275)	196,300
Statutory income exempted under pioneer status	(1,647,107)	–	(1,647,107)	–
(Over)/under provision in prior year	(193,110)	(1,057,468)	(816)	9,627
	720,240	916,222	54,016	51,627

The Company was granted pioneer status by the Ministry of International Trade and Industry Malaysia for a period of five years, whereby 100% of the Company's profits from the pioneer business operations during the pioneer period will be exempted from income tax commencing from 31 October 2015 to 30 October 2020.

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.

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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Property, plant and equipment	(53,967)	(62,955)	(51,176)	(57,657)
Provisions	–	59,300	–	–
Unabsorbed business losses	4,165,064	5,959,636	3,421,603	5,190,585
Unutilised capital allowances	3,838	131,837	–	51,144
Enhanced special incentive	4,096,928	8,513,047	–	–
Others	120,902	–	–	–
	8,332,765	14,600,865	3,370,427	5,184,072

27. EARNINGS PER SHARE

Basic EPS

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:-

	Group	
	2018 RM	**2017 RM**
Profit attributable to ordinary equity holders of the Company	16,259,754	12,062,931
Weighted average number of ordinary shares at 31 December	360,529,612	276,963,235
Basic EPS (sen)	4.51	4.36

Diluted EPS

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.

	Group	
	2018 RM	**2017 RM**
Profit attributable to ordinary equity holders of the Company	*	12,062,931
Weighted average number of ordinary shares at 31 December	*	276,963,235
Effect of issuance of share capital upon fulfillment of the condition on acquisition of subsidiary (Note 6)	*	16,979,568
Total weighted average number of shares at 31 December	*	293,942,803
Diluted EPS (sen)	*	4.10

* *No diluted earnings per share is presented as there are no potential dilutive ordinary shares at the end of the financial year.*

28. 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:

	Company	
	2018	**2017**
	RM	**RM**
Transactions with subsidiaries		
Interest income	9,029	–
Licensing fee income	480,000	480,000
Technical service income	9,440,000	–
Dividend income	10,092,750	–
Managed services	192,000	160,000
Research and development cost recharge from	627,719	765,962

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:-

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Salaries and other emoluments	2,378,234	2,149,101	169,579	169,578
Defined contribution plans	191,486	226,669	21,110	21,110
Share grant expenses	98,446	–	18,851	–
	2,668,166	2,375,770	209,540	190,688
Amount capitalised to intangible assets	(213,133)	(265,390)	(36,726)	(44,059)
	2,455,033	2,110,380	172,814	146,629

29. LEASE COMMITMENTS

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Not later than one year	2,012,234	2,068,557	180,000	60,000
Later than one year but not later than two years	810,424	1,249,283	60,000	–
Later than two years but not later than five years	–	328,762	–	–
	2,822,658	3,646,602	240,000	60,000

Lease commitment represents rentals payables for rent of the office space and premises. Leases are negotiated for terms of 1 to 3 years (2017: 1 to 3 years).

30. 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 and others	Provision for funding and investment related services, 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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

30. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Note	EDM Infrastructure Technology RM	EDM Managed Services RM	Investment holding and others RM	Total RM	Elimination/ Adjustment RM	Consolidated financial statements RM
2018							
Group revenue:							
External customers		152,839,176	10,225,940	–	163,065,116	–	163,065,116
Inter-segment	i	10,315,829	2,525,343	20,012,750	32,853,922	(32,853,922)	–
Total revenue		163,155,005	12,751,283	20,012,750	195,919,038	(32,853,922)	163,065,116
Depreciation and amortisation		(2,535,343)	(3,888,960)	(230,583)	(6,654,886)	–	(6,654,886)
Interest income		437,883	–	416,700	854,583	(352,970)	501,613
Finance cost		(645,189)	–	(807,333)	(1,452,522)	354,010	(1,098,512)
Tax expense		(484,056)	(181,352)	(54,832)	(720,240)	–	(720,240)
Share of results of an associate		–	–	66,300	66,300	–	66,300
Other non-cash income	ii	22,732	(548,973)	257,559	(268,682)	–	(268,682)
Segment profit	iii	7,567,336	2,259,713	17,711,027	27,538,076	(10,027,483)	17,510,593
Assets:							
Investments in an associate		–	–	12,553,024	12,553,024	87,403	12,640,427
Additions to non-current assets	iv	947,745	17,242,800	664,445	18,854,990	–	18,854,990
Segment assets		160,440,353	29,001,082	142,531,866	331,973,301	(85,525,490)	246,447,811
Liabilities:							
Segment liabilities		97,621,824	43,478,882	381,688	141,482,394	(58,554,979)	82,927,415

30. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Note	EDM Infrastructure Technology RM	EDM Managed Services RM	Investment holding and 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
Depreciation and amortisation		(2,233,236)	(2,280,273)	(85,443)	(4,598,952)	–	(4,598,952)
Interest income		82,915	–	171,599	254,514	–	254,514
Finance cost		(392,526)	(76,854)	–	(469,380)	–	(469,380)
Tax expense		(668,302)	(185,045)	(62,875)	(916,222)	–	(916,222)
Other non-cash expenses	ii	(2,160,383)	434,422	(266,838)	(1,992,799)	(28,623)	(2,021,422)
Segment profit	iii	14,332,876	1,733,326	(2,869,297)	13,196,905	(2,886)	13,194,019
Assets:							
Additions to non-current assets	iv	3,894,409	1,345,617	830,049	6,070,075	–	6,070,075
Segment assets		108,391,246	12,358,352	38,221,650	158,971,248	37,524,543	196,495,791
Liabilities:							
Segment liabilities		85,823,422	9,516,711	16,074,025	111,414,158	(24,816,179)	86,597,979

30. 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:

	Group	
	2018 **RM**	**2017** **RM**
Reversal of impairment loss on trade receivables	–	277,447
Reversal of inventories write-down	–	24,017
Inventories write-down	(1,202,171)	(6,422)
Unrealised gain/(loss) on foreign exchange	1,319,274	(2,269,396)
Property, plant and equipment written off	(385,785)	(47,068)
	(268,682)	(2,021,422)

iii. The following items are added to/(deducted from) segment profit to arrive at "Profit after tax from continuing operations" presented in the consolidated statement of profit or loss and other comprehensive income:

	Group	
	2018 **RM**	**2017** **RM**
Segment profit	17,510,593	13,194,019
Interest income	501,613	254,514
Finance costs	(1,098,512)	(469,380)
Share of results of associate	66,300	–
Tax expense	(720,240)	(916,222)
	16,259,754	12,062,931

iv. Additions to non-current assets consist of:

	Group	
	2018 **RM**	**2017** **RM**
Property, plant and equipment	18,190,545	5,243,827
Intangible assets	664,445	826,248
	18,854,990	6,070,075

30. 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:-

	Group			
	Revenue		Non-current assets #	
	2018 RM	2017 RM	2018 RM	2017 RM
Singapore	100,387,922	69,706,327	40,882,699	27,444,176
India	9,777,025	13,650,910	2,418,424	3,636,052
Malaysia *	1,454,633	2,569,343	5,126,048	4,795,648
Hong Kong and Taiwan	28,695,167	14,517,629	39,579,082	39,737,583
China	–	–	12,640,427	–
Others	22,750,369	43,925,417	812,694	622,348
	163,065,116	144,369,626	101,459,374	76,235,807

* the Company's home country
\# Non-current assets do not include deferred tax assets and financial instruments

Information about major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2018 RM	2017 RM	
Customer A	–	22,984,318	EDM Infrastructure Technology
Customer B	32,743,490	–	EDM Infrastructure Technology
Customer C	27,245,655	–	EDM Infrastructure Technology
	3,458,462	–	EDM Managed Services
	30,704,117	–	

31. FINANCIAL INSTRUMENTS

A. Categories of Financial Instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(i) Financial assets at fair value through profit or loss (FVTPL)
(ii) Amortised cost (AC)

	Carrying amount RM	FVTPL RM	AC RM
Group			
2018			
Financial assets			
Receivables	30,463,514	–	30,463,514
Amount due from an associate	2,631,358	–	2,631,358
Other investment	21,109,714	21,109,714	–
Fixed deposit with a licensed bank	16,547,728	–	16,547,728
Cash and bank balances	31,783,907	–	31,783,907
	102,536,221	21,109,714	81,426,507
Financial liabilities			
Payables	28,717,902	–	28,717,902
Finance lease liabilities	11,672,577	–	11,672,577
Loans and borrowings	21,193,331	–	21,193,331
	61,583,810	–	61,583,810

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(i) Loans and receivables (L&R)
(ii) Amortised cost (AC)

	Carrying amount RM	L&R RM	AC RM
Group			
2017			
Financial assets			
Receivables	44,512,879	44,512,879	–
Cash and bank balances	35,100,396	35,100,396	–
	79,613,275	79,613,275	–
Financial liabilities			
Payables	59,017,644	–	59,017,644
Finance lease liabilities	2,616,214	–	2,616,214
Loans and borrowings	13,121,831	–	13,121,831
	74,755,689	–	74,755,689

31. FINANCIAL INSTRUMENTS (CONT'D)

A. Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(i) Financial assets at fair value through profit or loss (FVTPL)
(ii) Amortised cost (AC)

	Carrying amount RM	FVTPL RM	AC RM
Company			
2018			
Financial assets			
Other investment	21,109,714	21,109,714	–
Receivables	169,123	–	169,123
Amount due from subsidiaries	38,720,133	–	38,720,133
Cash and bank balances	2,107,887	–	2,107,887
	62,106,857	21,109,714	40,997,143
Financial liabilities			
Payables	354,356	–	354,356

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(i) Loans and receivables (L&R)
(ii) Amortised cost (AC)

	Carrying amount RM	FVTPL RM	AC RM
2017			
Financial assets			
Receivables	149,492	149,492	–
Amount due from subsidiaries	12,643,653	12,643,653	–
Cash and bank balances	20,393,732	20,393,732	–
	33,186,877	33,186,877	–
Financial liabilities			
Payables	15,308,736	–	15,308,736

B. 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

B. 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:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Company does not expect to incur material credit losses of its financial assets or other financial instruments.

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

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

Following are the areas where the Company are exposed to credit risk:-

Trade receivables and contract assets

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar pattern (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability- weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about the past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk arising from trade receivable and contract assets are limited to the carrying amounts in the statement of financial position.

At 31 December 2018, the Company assessed its expected credit losses to be immaterial.

31. FINANCIAL INSTRUMENTS (CONT'D)

B. 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 where the Company are exposed to credit risk (cont'd):-

Trade receivables and contract assets (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Expected credit loss rate RM	Estimated total gross carrying amount RM	Expected credit loss RM
Group			
2018			
Within credit terms	0%	28,402,108	*
Past due 0-30 days	0%	29,275	*
Past due 31-60 days	0%	250,722	*
Past due 61-90 days	0%	–	*
Past due more than 91 days	0%	19,870	*
	0%	28,701,975	*

* The expected credit loss is considered immaterial.

	Gross RM	Individually impaired RM	Net RM
Group			
2017			
Within credit terms	38,439,036	–	38,439,036
Past due 0-30 days	3,758,809	–	3,758,809
Past due 31-60 days	77,573	–	77,573
Past due 61-90 days	–	–	–
Past due more than 91 days	199,073	–	199,073
	42,474,491	–	42,474,491

31. FINANCIAL INSTRUMENTS (CONT'D)

B. 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 where the Company are exposed to credit risk (cont'd):-

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.

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.

Financial guarantee

The Company provides secured financial guarantees to banks in respect of banking facilities granted to companies in which Directors have interests.

The Company monitors on an ongoing basis the repayments made by those companies and their financial performance.

The maximum exposure to credit risk amounts to RM21,193,331 (2017: RM13,121,831) representing the outstanding credit facilities to banks of those subsidiaries guaranteed by the Company at the reporting date. At the reporting date, there was no indication that those companies would default on its repayment.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantee provided by the Company did not contribute towards credit enhancement of the borrowing in view of the securities pledged by those companies and it is unlikely those companies will default within the guarantee period.

(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, loans and borrowings and they maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure it has sufficient liquidity to meet their obligations when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping sources of committed and uncommitted credit facilities from various banks.

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

B. 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)

The summary of the maturity profile based on the contractual undiscounted repayment obligation is as below:-

	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	Later than 1 year but not later 2 years RM	Later than 2 years but not later than 5 years RM
Group					
2018					
Payables	28,717,902	28,717,902	28,717,902	–	–
Finance lease liabilities	11,672,577	13,192,307	4,269,207	3,094,230	5,828,870
Borrowings	21,193,331	21,193,331	21,193,331	–	–
	61,583,810	63,103,540	54,180,440	3,094,230	5,828,870
2017					
Payables	59,017,644	59,017,644	58,939,390	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
Company					
2018					
Payables	354,356	354,356	354,356	–	–
Financial guarantees	–	21,193,331	21,193,331	–	–
2017					
Payables	15,308,736	15,308,736	15,308,736	–	–
Financial guarantees	–	13,121,831	13,121,831	–	–

31. FINANCIAL INSTRUMENTS (CONT'D)

B. 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").

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit for the financial year to a 5% (2017: 5%) change in the USD, SGD and INR exchange rates at the reporting period against the respective functional currency of the companies within the Group, with all variables held constant.

	Group Profit for the year	
	2018 RM	2017 RM
USD/RM		
- Strengthened	52,815	247,064
- Weakened	(52,815)	(247,064)
SGD/RM		
- Strengthened	(64,718)	(74,281)
- Weakened	64,718	74,281
INR/RM		
- Strengthened	44,402	67,958
- Weakened	(44,402)	(67,958)

	Company Profit/(Loss) for the year	
	2018 RM	2017 RM
USD/RM		
- Strengthened	637,294	(116,045)
- Weakened	(637,294)	116,045
SGD/RM		
- Strengthened	(97,602)	(60,591)
- Weakened	97,602	60,591

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

31. FINANCIAL INSTRUMENTS (CONT'D)

B. 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):-

(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	
	2018	**2017**
	RM	**RM**
Fixed rate instrument		
Finance lease liabilities	11,672,577	2,616,214
Floating rate instrument		
Borrowings	21,193,331	13,121,831

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.

31. FINANCIAL INSTRUMENTS (CONT'D)

B. 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):-

(d) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change in 5% in interest rates at the end of the reporting period would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase/(Decrease) Profit for the year	
	+ 5%	**- 5%**
	RM	**RM**
Group		
2018		
Floating rate instruments	(1,059,666)	1,059,666
2017		
Floating rate instruments	(656,092)	656,092

C. 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.

32. 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.

33. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) 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.

(b) 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 principal activity of KHKL is managed services business providing a holistic comprehensive and automated daily backup targeted at medium sized enterprises.

(c) On 21 November 2018, the Company entered into an Agreement with Yang Lanjiang to subscribe for 20 new ordinary shares of USD1 each in Quantum China Limited which represent 16.67% of the total issued and paid up share capital of QCL, for a total consideration of USD3 million or equivalent to approximately RM12.579 million.

(d) On 27 December 2018, the Company had announced a proposed acquisition of the entire share capital of Sandz Solutions (Singapore) Pte Ltd for a purchase consideration of up to RM75,000,000. The proposal had been approved by the shareholders of the Company by the way of poll at the Company Extraordinary General Meeting held on 28 February 2019.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

Total number of issued shares	:	398,809,546 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

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100 shares	15	265	0.00
100 - 1,000 shares	594	401,595	0.10
1,001 - 10,000 shares	3,655	21,709,200	5.45
10,001 - 100,000 shares	2,646	86,311,100	21.64
100,001 – less than 5% of issued Shares	314	126,191,872	31.64
5% and above of issued Shares	3	164,195,514	41.17
Total	**7,227**	**398,809,546**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per the Register of Substantial Shareholders)

	Direct Interest		Indirect Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Jeck Min	55,129,768	13.82	–	–
Law Chee Yii	40,816,326	10.23	–	–
Teo Chong Meng Philip Dominic	25,250,000	6.33	–	–
Quantum Storage (India) Limited	24,213,220	6.07	–	–

DIRECTORS' SHAREHOLDINGS

(As per the Register of Directors' Shareholdings)

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Jeck Min	55,129,768	13.82	–	–
Teo Chong Meng Philip Dominic	25,250,000	6.33	–	–
John Chin Shoo Ted	135,000	0.03	–	–
Kok Cheang-Hung	21,000	0.01	–	–
Geoffrey Ng Ching Fung	–	–	–	–

Analysis of Shareholdings (cont'd)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 29 MARCH 2019

(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)*	98,271,188	24.64
2.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Exempt An for DBS Vickers Securities (Singapore) Pte Ltd (Clients)*	40,924,326	10.26
3.	Affin Hwang Nominees (Asing) Sdn. Bhd. *DBS Vickers Secs (S) Pte Ltd for Teo Chong Meng Philip Dominic*	25,000,000	6.27
4.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (PHEIM)*	8,985,300	2.25
5.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An for DBS Bank Ltd (SFS)*	7,020,000	1.76
6.	Chan Chee Lun	6,250,172	1.57
7.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for CA Indosuez (Switzerland) SA, Singapore Branch (Foreigner)*	4,800,000	1.20
8.	Citigroup Nominees (Asing) Sdn. Bhd. *CEP for PHEIM SICAV-SIF*	4,503,000	1.13
9.	HSBC Nominees (Asing) Sdn. Bhd. *DZ Privatbank for NPB SICAV – NPB Asia (EXCL. Japan)*	3,180,000	0.80
10.	Federlite Holdings Sdn. Bhd.	2,906,200	0.73
11.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Lim Pay Chuan*	2,000,000	0.50
12.	UOBM Nominees (Tempatan) Sdn. Bhd. *UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund*	2,000,000	0.50
13.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad for Dana Makmur Pheim (211901)*	1,936,000	0.49
14.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte. Ltd. (A/C Clients)*	1,754,800	0.44
15.	Public Nominees (Asing) Sdn. Bhd. *Pledged Securities Account for Syed Hizam Alsagoff (E-PDG)*	1,700,000	0.43
16.	Lim Mooi Tean	1,600,000	0.40
17.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Morgan Stanley & Co. International PLC (Client)*	1,597,500	0.40
18.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Rakuten Trade Sdn. Bhd. for Tan Foh Hua*	1,201,000	0.30
19.	Ng Ah Meng Sdn. Bhd.	1,200,000	0.30
20.	Wong Kum Fatt	1,200,000	0.30
21.	UOBM Nominees (Tempatan) Sdn. Bhd. *UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Strategic Fund*	1,151,000	0.29
22.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *Exempt An for DBS Bank Ltd (SFS)*	1,130,000	0.28
23.	Yee Ngan Ching	1,090,000	0.27
24.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An for Phillip Capital Management Sdn. Bhd. (EPF)*	1,070,300	0.27
25.	HSBC Nominees (Asing) Sdn. Bhd. *BBH And Co Boston for PHEIM Asean Equity Fund (TCSB)*	939,000	0.24
26.	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Low Kim Meng*	900,000	0.23
27.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian (Hong Kong) Limited (A/C Clients)*	900,000	0.23
28.	Ng Yew Sang	813,000	0.20
29.	Chok Moi Soon	800,000	0.20
30.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Kim Pak Ngi*	785,000	0.20

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of **KRONOLOGI ASIA BERHAD** ("Kronologi" or "the Company") will be held at Ballroom A, Level 2, Aloft Kuala Lumpur Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 31 May 2019 at 2:30 p.m. to transact the following businesses:-

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the reports of the Directors and Auditors thereon. ***Please refer to Note 1***

2. To approve the payment of a Final Single-Tier Dividend of 2 sen per ordinary share for the financial year ended 31 December 2018. ***Ordinary Resolution 1***

3. To approve the payment of Directors' fees and benefits of up to RM366,000 for the financial year ending 31 December 2019. ***Ordinary Resolution 2***

4. To re-elect Mr. Tan Jeck Min as Director who retires by rotation in accordance with Clause 88 of the Company's Constitution. ***Ordinary Resolution 3***

5. To re-elect the following Directors who retire in accordance with Clause 95 of the Company's Constitution:

   i. Mr. Geoffrey Ng Ching Fung ***Ordinary Resolution 4***
   ii. Mr. Edmond Tay Nam Hiong ***Ordinary Resolution 5***

6. To appoint Messrs. PKF as Auditors in place of the retiring Auditors, Messrs. Grant Thornton Malaysia and to authorize the Directors to fix their remuneration. ***Ordinary Resolution 6***

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

   "THAT Messrs. PKF be and are hereby appointed as Auditors of the Company in place of the retiring Auditors Messrs. Grant Thornton Malaysia and to hold office until the conclusion of the next annual general meeting at a remuneration to be agreed between the Directors and the Auditors."

AS SPECIAL BUSINESS:

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

7. **GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***Ordinary Resolution 7***

   "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 ten per centum (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain 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)

8. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY** ***Special Resolution***

"THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in "Appendix A" with immediate effect AND THAT the Directors and/or the Secretary of the Company be authorized to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a Final Single-Tier Dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018, if approved by the shareholders at the Fifth Annual General Meeting of the Company, will be paid on 14 June 2019 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 7 June 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:-

(i) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 7 June 2019 in respect of ordinary transfers; and

(ii) Shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By order of the Board

TEA SOR HUA (MACS 01324)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
30 April 2019

Notes:

1. The Agenda 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, this Agenda is not put forward for voting.

2. A member of the Company who is entitled to attend, participate, speak and vote at the Fifth Annual General Meeting ("Meeting" or "Fifth AGM") is entitled to appoint up to two (2) proxies to attend, participate, speak and vote at the Meeting in his stead. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. If the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

Notes: (cont'd)

4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.

6. The instrument appointing a proxy must be deposited at the Share Registrar of the Company situated 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.

7. 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 23 May 2019. Only members whose names appear in the General Meeting Record of Depositors as at 23 May 2019 shall be regarded as members and entitled to attend, participate, speak and vote at the Fifth AGM.

8. 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, participate, speak and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

9. All the resolutions as set out in this Notice of Meeting will be put to vote by poll.

EXPLANATORY NOTES TO ORDINARY/SPECIAL BUSINESS

(i) Item 3 of the Agenda – Directors' Fees and Benefits

The estimated Directors' fees and benefits proposed for the financial year ending 31 December 2019 were calculated based on the current Board size and number of scheduled Board and Committee meetings to be held. This resolution is to facilitate payment of Directors' fees and benefit on a current financial year basis. In the event the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next Annual General Meeting ("AGM") for the shortfall.

(ii) Item 6 of the Agenda – Appointment of Auditors

The retiring Auditors, Messrs. Grant Thornton Malaysia, have expressed their intention not to seek re-appointment at the Fifth AGM.

The Board of Directors has proposed Messrs. PKF for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. Grant Thornton Malaysia, to the members for approval at the Fifth AGM.

Notice of Annual General Meeting (cont'd)

EXPLANATORY NOTES TO ORDINARY/SPECIAL BUSINESS (CONT'D)

(iii) Item 7 of the Agenda - General Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution 7 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 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 issuance and 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).

As at the date of this Notice, 36,255,400 new ordinary shares were issued by the Company via a private placement exercise at an issue price of RM0.6340 per share pursuant to the general mandate granted to the Directors at the last Annual General Meeting held on 1 June 2018. The status of utilisation of gross proceeds of RM22.986 million raised from the private placement exercises by the Company as at 30 April 2019 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	Future business development and expansion	8,000	(8,000)	–	–	Within 24 months
2	Managed services cum transnational infrastructure equipment	10,000	–	–	10,000	Within 24 months
3	Working capital	4,466	(4,736)	(270)	–	Within 24 months
4	Estimated expenses	520	(250)	(270)	–	Within 2 weeks
	Total gross proceeds	22,986	12,986	–	10,000	

(iv) Item 8 of the Agenda - Proposed Amendments to the Constitution of the Company

The Special Resolution proposed under item 8 of the Agenda in relation to the proposed amendments to the existing Constitution of the Company are made mainly for the following purposes:-

(a) To ensure compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad; and

(b) To provide clarity and consistency with the amendments that arise from the Companies Act 2016 and other relevant regulatory provisions.

This Special Resolution if passed, will allow the Company to alter or amend the whole of the existing Constitution by the replacement with the proposed new Constitution as per "Appendix A" in accordance with Section 36(1) of the Companies Act 2016, The "Appendix A" on the proposed new Constitution of the Company, which is circulated together with the Notice of Fifth AGM dated 30 April 2019, shall take effect once the special resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Fifth AGM.

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 (1067697-K) ("the Company") 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 Fifth Annual General Meeting of the Company to be held at Ballroom A, Level 2, Aloft Kuala Lumpur Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 31 May 2019 at 2:30 p.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 a Final Single-Tier Dividend of 2 sen per ordinary share for the financial year ended 31 December 2018.		
2.	To approve the payment of Directors' fees and benefits up to RM366,000 for the financial year ending 31 December 2019.		
3.	To re-elect Mr. Tan Jeck Min as Director who retires by rotation in accordance with Clause 88 of the Company's Constitution.		
4.	To re-elect Mr. Geoffrey Ng Ching Fung as Director who retires in accordance with Clause 95 of the Company's Constitution.		
5.	To re-elect Mr. Edmond Tay Nam Hiong as Director who retires in accordance with Clause 95 of the Company's Constitution.		
6.	To appoint Messrs. PKF as Auditors of the Company.		
7.	To approval the authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
No.	**Special Resolution**	**For**	**Against**
1.	To approve the proposed amendments to the Constitution of the Company.		

CDS Account No.	No. of Shares Held

Dated this .... day of .... 2019.

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

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

NOTES:

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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)

Level 28-D, Axiata Tower, No.9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.
Tel: (03) 2773 5700 Fax: (03) 2773 5710