KRONOLOGI ASIA BERHAD

Registration No.: 201301037868 (1067697-K)

DELIVERING ENTERPRISE
CLASS DATA PROTECTION AND
MANAGEMENT FOR BUSINESS CONTINUITY

ANNUAL REPORT 2019

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/
Chief Operating Officer

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
Wong Mei Yee

COMPANY SECRETARY

Tea Sor Hua (MACS 01324)

REGISTERED OFFICE

Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

Tel : 03 7728 1777
Fax : 03 7722 3668

BUSINESS OFFICE

Level 28-D, Axiata Tower
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan

Tel : 03 2773 5700
Fax : 03 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

PKF Malaysia (AF :0911)
Level 33, Menara 1MK
Kompleks 1 Mont Kiara
No. 1, Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Wilayah Persekutuan

Tel : 03 6203 1888
Fax : 03 6201 8880

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 Securities (0176/KRONO).

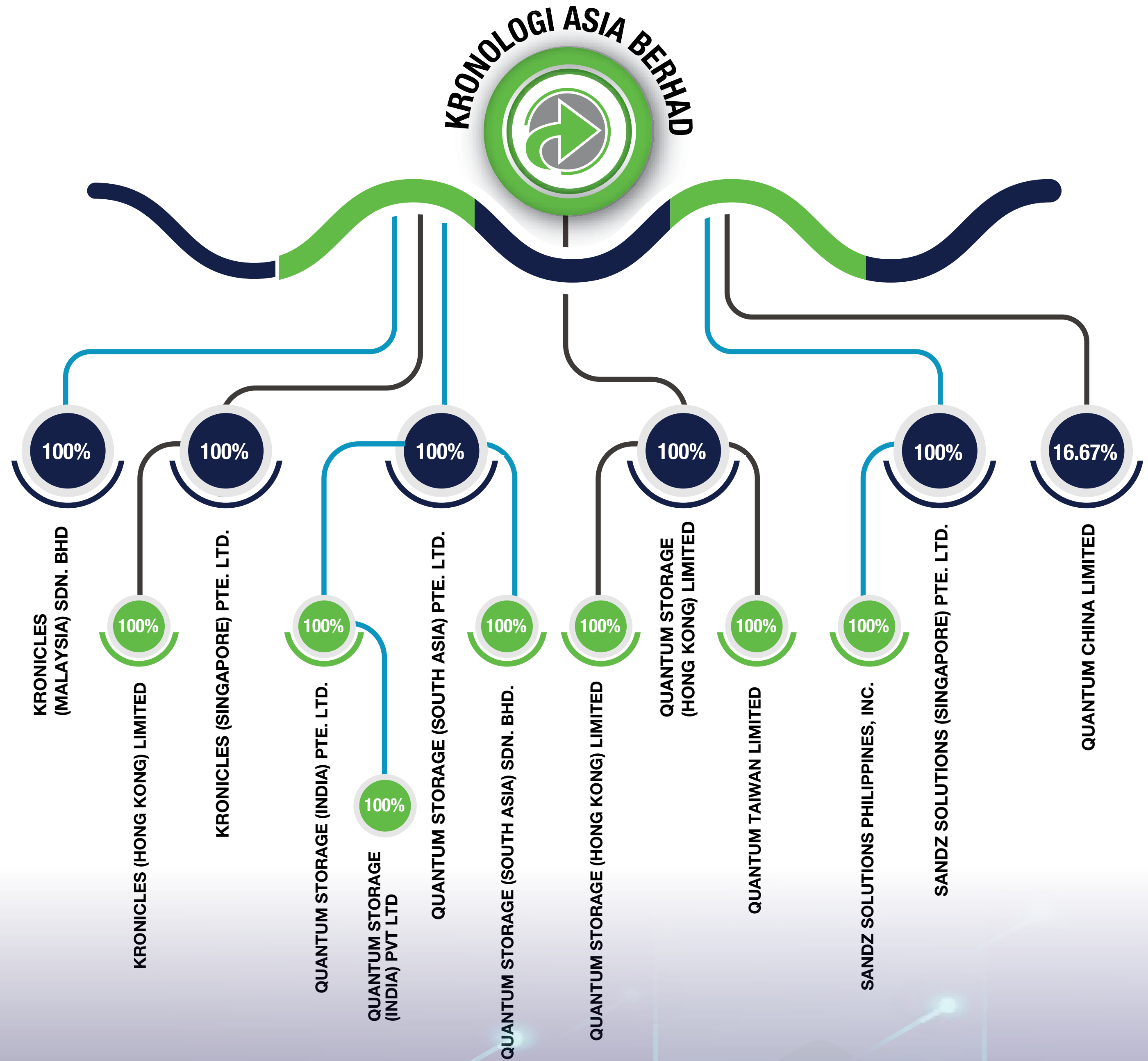
The Group specialises in data assurance and protection to ensure business continuity for our clients. Our portfolio of products and services provide our clients with the ability to achieve data assurance and protection through systematic backup, storage and recovery of enterprise data to ensure business 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's EDM Infrastructure Technology and EDM Managed Services/As-a-Service divisions.

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

Corporate **Structure**



Investors Relations and Key Financial Highlights

FINANCIAL YEAR ENDED 31 DECEMBER	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
RESULTS					
Revenue	235,501	163,065	144,370	81,282	61,353
Profit before interest and tax expense	25,950	18,079	13,448	7,713	3,100
Interest expense	(2,032)	(1,099)	(469)	(167)	(225)
Profit before tax expense	23,918	16,980	12,979	7,546	2,875
Tax (expenses)/ income	(5,322)	(720)	(916)	(385)	175
Profit for the financial year / Attributable to the owners of the parent	18,596	16,260	12,063	7,162	3,050
ASSETS					
Property, plant and equipment	45,591	21,385	9,816	9,349	10,461
Goodwill on consolidation	119,590	62,904	62,358	26,384	-
Intangible assets	4,126	4,530	4,062	3,287	2,513
Investment in an associate	12,928	12,640	-	-	855
Other non-current assets	8,339	2,728	1,198	976	945
Current assets	172,208	142,261	119,062	53,374	55,857
Total Assets	362,782	246,448	196,496	93,370	70,631
EQUITY AND LIABILITIES					
Total shareholders' equity	223,020	163,520	109,898	45,578	34,656
Borrowings	39,846	32,866	15,738	3,864	5,552
Other non-current liabilities	15,496	9,074	4,166	10,988	1,177
Current liabilities	84,420	40,988	66,694	32,940	29,246
Total Liabilities	139,762	82,928	86,598	47,792	35,975
Total Equity and Liabilities	362,782	246,448	196,496	93,370	47,640
FINANCIAL RATIOS					
Basic earnings per share # (sen)	4.04	4.51	3.36	1.99	0.85
Diluted earnings per share (sen)	3.97	*	4.10	2.79	*
Interest cover (times)	12.77	16.45	28.67	46.19	13.78
Net assets per share (RM)	0.46	0.41	0.34	0.18	0.15
Gearing ratio (%)	17.87%	20.10%	14.32%	8.48%	16.02%
Return of average shareholders' equity (%)	9.62%	11.89%	15.52%	17.85%	9.74%
Return of average capital employed (%)	13.43%	13.22%	17.30%	19.23%	9.90%

Notes

N/A = Not applicable

\# *Basic earnings per share for FY2015, FY2016, FY2017, FY2018 and FY2019 were calculated by dividing net profit attributable to owners of the parent by the number of ordinary shares outstanding at the end of FY2019 ie. 459,782,354 shares throughout each financial year. This is to provide a meaningful comparison of the financial performance of the Group.*

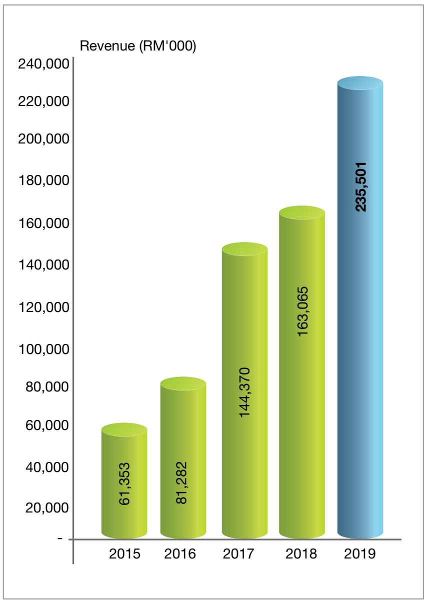
* *No diluted earnings per share is presented as there are no potential dilutive ordinary shares at each financial year.*

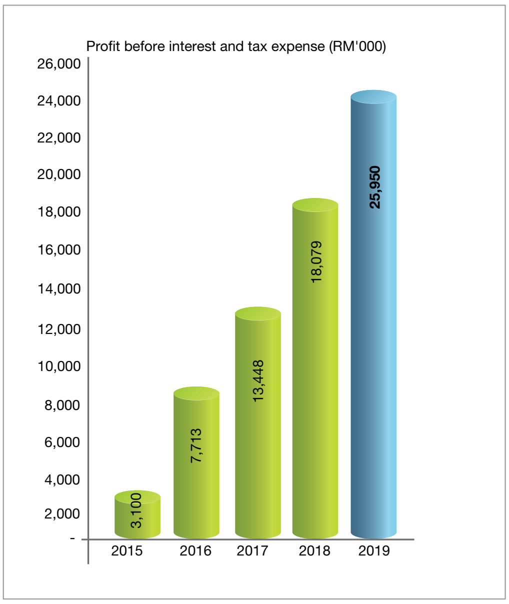
Investors Relations and Key Financial Highlights (cont'd)

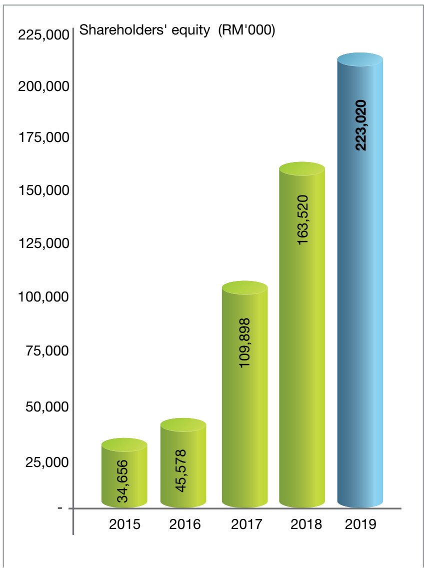
Kronologi Asia Berhad ("Kronologi" or "the Company") enhances strong relations with existing and potential investors with high commitment in engaging with them including financial analyst and stakeholders through constant and proactive engagement and communications.

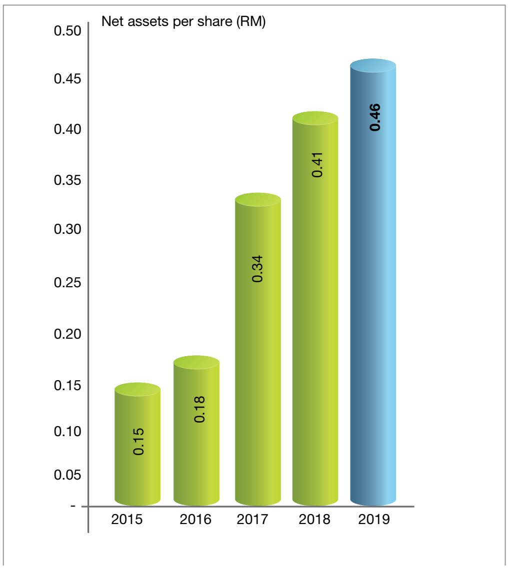
The company develops investor relation's team to identify key investors' interests, issues and concerns, and develops best approaches and engagements in responding to the relevant interest and concerns. The team, led by the Executive Directors and Group Finance Manager, are responsible to lead, drive and facilitate investors' relations efforts and communications to ensure greater involvement with the investment community.

Investor Relation's engagement activities including presentations and meetings, which have allowed access to the Company's management for better understanding of the latest updates in the industry. Apart from that, Kronologi's Investor Relations portal on the website is continuously updated by the team to highlight financial and stock reports, information on governance and the Company's commitment.









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 2019 and the Group's business expectations for 2020.

CORE BUSINESS

There has been no change to the Group's core activities in 2019, namely provision of:

- Enterprise Data Management Information Technology ("EDM IT") and
- EDM Managed services/As-a-Service ("AAS")

GROUP PERFORMANCE REVIEW

With great pleasure, I hereby announce that the Group has been continuing its steady growth paths for revenue and profitability since listing on the ACE market of Bursa Malaysia Securities Berhad. These achievements are attributable to strong leadership by the Board of Directors and stellar execution of the corporate strategy by its management team and all employees.

In 2019, the Group demonstrated its ability to maintain growth momentum even though external macroeconomic and business climate was less than ideal. The Group's business segments - namely EDM IT and AAS have delivered very respectable growth as compared to the same period of the year 2018.

The impressive results achieved in financial year-ended 31 December 2019 ("FY2019") was mainly attributed to completion of the Group's acquisition of Sandz Solutions (Singapore) Pte Ltd and its subsidiary ("Sandz Acquisition), which helped bolster the Group's operating performance.

FY2019 was a record year for the Group, with revenue of RM235.501 million representing growth of 44% over the previous year. Group profit before tax ("PBT") for FY2019 rose to RM23.918 million from RM16.980 million, an increase of 41% when compared to FY2018. The increase in PBT of RM6.938 million during the financial year was derived mainly from the EDM Infrastructure Technology segment where revenue contribution remained healthy from existing markets that the Group operated in, which was further augmented with consolidation of financial results from the Sandz Acquisition starting May 2019 onwards. Despite higher growth rates seen in revenue and PBT, the Group's Profit after Tax ("PAT") for FY2019 of RM18.596 million grew by a lower rate 14% over the previous years, due to higher tax expense primarily in the Philippines coupled with increased deferred tax on property, plant and equipment.

The Group recorded Operating Cash Flows of RM33.583 million against RM27.843 million in FY2018. The higher cash flow was driven by increased monetisation of the Group's inventory.

In FY2019, the Group invested a total of RM31.082 million for capital expenditure especially in AAS segment and received cash inflows of RM0.268 million from the Sandz Acquisition (refer Notes 6 of the audited financial statements).

The Group's interest cover remained healthy at 12.8 times (FY2018: 16.5 times). This was achieved through actively management of the Company's debt maturity profile, operating cash flow 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 its financial gearing vis-à-vis providing value to shareholders.

ANTICIPATED/KNOWN RISKS AND MITIGATING PLANS/STRATEGIES

Operational risk

The major operational risks that the Group is exposed to are inventory obsolescence and bad debts resulting from customer (trade) defaults, which together form the bulk of the total current assets net of cash.

In managing these risks, our well established, stringent inventory-control and credit-control policies continued to function effectively during the financial period, with total amount of obsolete inventory stock and bad debts being at levels well within our general provision ranges.

Business and Economic risk

With a continuation of the on-going trade war between China and US and recent onset of a global health pandemic caused by COVID-19, we expect FY2020 to be a very challenging year for most companies, the Group notwithstanding, as a confluence of weak business activity as well as changes in corporate and human behaviour lead to immediate and near-term uncertainty to the Group's business strategy and infrastructure.

Despite this unprecedented upheaval in the markets we operate in, the Group foresees that the economic and business risks are relatively short term in nature, where we remain confident that demand for the Group's solutions will normalise in the middle and long-term.

EDM INFRASTRUCTURE TECHNOLOGY

Operations review

EDM IT continued to be the key driver for the Company in both revenue and segmental operating profit. The EDM IT segment registered 42% growth in revenue to RM217.485 million with higher segment profit of RM18.349 million for FY2019. The higher results were attributable to better performance achieved from certain country markets, coupled with additional segment contribution from the Sandz Acquisition. By country market, Singapore remained the single largest contributor to this segment at 35% of total revenue.

AAS

Operations review

AAS is a strategic part of the Group and serves as an essential platform to generate more sustainable business streams and improved value to shareholders through the provision of value-added managed services to customers. Together with EDM IT, AAS provides a more complete portfolio of data management solutions to our customers and improved profitability to the Group.

Despite a challenging FY2019, the Group's AAS registered continued double digit revenue growth of 76% to RM18.016 million as compared with RM10.226 million in FY2018. As a result of the increase in revenue, segment profit grew by RM3.282 million from FY2018 to RM5.541 million.

Revenue for this business segment was primarily derived from Singapore and Philippines.

Management Discussion And Analysis (cont'd)

Future Prospects

The Group is cautiously optimistic of the outlook for the year ahead, which remains clouded in by the on-going US-China trade war, political uncertainty in Hong Kong and the staggering impact of an unprecedented health pandemic. However, we believe that our data management solutions remain key risk management tools for our customers in particular, and the business community in general which help cushion our evolving business strategy in times of uncertainty and economic stress.

DIVIDEND POLICY

The Company has yet to establish any dividend policy as it continues to pursue a growth strategy involving continue infrastructure investment and potential mergers and acquisitions.

STRATEGIC FOCUS

With a conducive business environment, our corporate strategy enables 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 that value add to our stakeholders such as solutions-based technology, service, productivity and creating a winning organisation.

Solutions-based technology

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

Service

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 overall efficiency and profitability.

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

On behalf our the Board of Directors, I would like to thank you for your continued support of our ambitious goals, our leadership and your patience as we strive to achieve our goals.

Finally and most importantly, we would like to take this opportunity to express our gratitude and thanks to the management and staff of the Group for their enduring commitment and resolve to be the best in the business. Our dedication to deliver value and quality to our customers shall always be our culture.

Edmond Tay Nam Hiong
Group CEO

Board of Directors

GEOFFREY NG CHING FUNG

Independent Non-Executive Chairman

EDMOND TAY NAM HIONG

Executive Director/Group Chief Executive Officer

Mr. Geoffrey Ng Ching Fung, a Malaysian, Male, aged 46, 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 over two decades of corporate leadership and investment management experience and is currently a 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 currently a Board 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 holds a certificate in Fintech: Future Commerce by the Massachusetts Institute of Technology. Mr. Ng is a Fellow of the Institute of Corporate Directors Malaysia and a member of the National Association of Corporate Directors.

He attended all four (4) Board Meetings held during the financial year ended 31 December 2019.

Mr. Edmond Tay Nam Hiong, a Singaporean, Male, aged 49, is our Executive Director cum Group 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 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 23 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 directorship in public company and listed corporation.

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 attended three (3) out of four (4) Board Meetings held during the financial year ended 31 December 2019 as he was appointed to the Board on 1 April 2019.

Board Of Directors (cont'd)

TAN JECK MIN
Executive Director/Chief Operating Officer

JOHN CHIN SHOO TED
Senior Independent Non-Executive Director

Mr. Tan Jeck Min, a Singaporean, Male, aged 50, is our Executive Director cum Chief Operating Officer and was appointed to the Board on 19 October 2015, overseeing the daily operations of the Group. He has been instrumental in the growth and development of Quantum Storage (South Asia) Pte. Ltd. in the early years since its inception in 2003 until September 2013.

Mr. Tan brings with him a wealth of Information Technology ("IT") experiences having worked for a Hong Kong listed IT firm and US-based 3Com, both in their Singapore operations.

Mr. Tan has no other directorship in public company and listed corporation.

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 2019.

Mr. John Chin Shoo Ted, a Malaysian, Male, aged 68, was appointed to the Board on the 5 June 2014 as Independent Non-Executive Director and subsequent redesignated as Senior Independent Non-Executive Director on 19 October 2015. He is the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee.

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

In 2010, Mr. Chin founded 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 directorship in listed corporation.

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 2019.

Board Of Directors (cont'd)

KOK CHEANG-HUNG
Independent Non-Executive Director

Mr. Kok Cheang-Hung, a Malaysian, Male, aged 49, 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 currently on the Finance Committee of the Singapore Institute of Directors ("SID"). With 25 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 is also an Independent Non-Executive Director of SGX-listed, DLF Holdings Ltd, where he chairs the firm's Audit Committee.

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 2019.

Notes :

- *None of the Directors have family relationship with any other Directors and/or major shareholders of the Company.*
- *None of the Directors have a 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 2019.*

Profiles Of **Key Management**

EDMOND TAY NAM HIONG
Executive Director / Chief Executive Officer

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/Chief Operating Officer

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

Mr. Teo Chong Meng Philip Dominic, a Singaporean, Male, aged 52, is our Chief Technology Officer. He resigned as Executive Director on 29 April 2019. After his resignation from the board, Mr. Teo continues to lead and manage the Group's overall technology direction as well as oversees 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 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 the Group's presence in Asia and had established sales and technical support offices across several countries in Asia including Malaysia, Singapore, Indonesia, Thailand, Hong Kong and India.

Mr. Teo has no other directorship in public company and listed corporation but holds directorships in several private limited companies.

LAI CHING THING

Group Finance Manager

Ms. Lai Ching Thing, a Singaporean, Female, aged 39, is the Group Finance Manager. She manages and oversees the finance and accounting functions of the Group. 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 the group, she was an Audit Senior at Baker Tilly TFW in Singapore in 2006. She joined the Group on 10 May 2010 as an Accountant and was later promoted to her current position as Group Finance Manager.

Ms. Lai brings with her over fifteen (15) years of experience in finance and accounting.

Ms. Lai has no directorship in public company and listed corporation.

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 a personal interest in any business arrangement involving the Group.*
- *Other than traffic offences, if any, the key senior management has not been convicted of any offence within the past 5 years and have not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2019.*

Corporate Governance **Overview Statement**

The Board of Directors ("Board") of Kronologi Asia Berhad ("Kronologi" or "Company") presents this statement to provide shareholders and investors with an overview of the Corporate Governance ("CG") practices of the Company under the leadership of the Board during the financial year ended 31 December 2019 ("FY2019"). This overview takes guidance from 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 is to be read together with the CG Report 2019 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 FY2019.

A. THE BOARD

i. Composition and Balance

The Board currently has five (5) members, comprising (1) Executive Director cum Group Chief Executive Officer, (1) Executive Director cum Chief Operating Officer 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 Independent Non-Executive Chairman and Executive Director cum Group Chief Executive Officer are held by different individuals with clear and distinct roles which are formally documented in the Board Charter.

There is clear separation of functions between the Board and Management in order to maintain 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 Director cum Group Chief Executive Officer and the Executive Director cum Chief Operating Officer are responsible for the implementation of the Board's policies and decisions, entrusted by the Board 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 diversify 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;
- 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;
- 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.

Corporate Governance Overview Statement (Cont'd)

A. THE BOARD (CONT'D)

ii. Board Responsibilities (Cont'd)

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 recommendations 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 FY2019 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.

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
Geoffrey Ng Ching Fung, Member	Independent Non-Executive Chairman
Kok Cheang-Hung, Member	Independent Non-Executive Director

A. THE BOARD (CONT'D)

ii. Board Responsibilities (Cont'd)

b. Nomination Committee (Cont'd)

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 meet once 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.
- 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, assessed and recommended to the Board the appointment of Mr. Edmond Tay Nam Hiong as the Executive Director cum Group Chief Executive Officer of the Company.
- Reviewed and recommended to the Board the re-election of Mr. Tan Jeck Min, Mr. Geoffrey Ng Ching Fung and Mr. Edmond Tay Nam Hiong as Directors at the last Annual General Meeting ("AGM") held on 31 May 2019.

A. THE BOARD (CONT'D)

ii. Board Responsibilities (Cont'd)

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 entirety of Independent Non-Executive Directors as follows:

Name	Designation
John Chin Shoo Ted, Chairman	Senior Independent Non-Executive Director
Geoffrey Ng Ching Fung, Member	Independent Non-Executive Chairman
Kok Cheang-Hung, Member	Independent Non-Executive Director

The Remuneration Committee shall meet as least once a year or meet as and when required. The Remuneration Committee met once during the financial year under review to consider the Directors' remuneration (including fees/benefits) for the existing Directors of the Company.

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
Geoffrey Ng Ching Fung, Member	Independent Non-Executive Chairman
Wong Mei Yee, Member	Group Human Resource Manager

The SGP Committee meets as and when required. The SGP Committee did not met during the financial year under review.

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. THE BOARD (CONT'D)

iii. Board Charter (Cont'd)

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 effectively.

The Whistle Blowing Policy is available at the Company's website at www.kronologi.asia.

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 FY2019 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 FY2019. The Directors' attendance at the Board meetings are set out as follows:

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

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.

A. THE BOARD (CONT'D)

iv. Board Meetings and Supply of Information (Cont'd)

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.

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.

A. THE BOARD (CONT'D)

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.

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 FY2019 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.

Corporate Governance Overview Statement (Cont'd)

A. THE BOARD (CONT'D)

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 the new developments within the industry which the Group operates.

During the FY2019, the Directors of the Company have attended the in-house briefing session conducted by the Secretary of the Company on the Key Amendments to the ACE Market Listing Requirements of Bursa Malaysia Securities relating to Continuing Disclosure Obligations and Other Amendments.

Besides the above briefing, the Directors have also attended the following seminars during the FY2019 to further enhance their knowledge and skills:-

Name of Directors	Training attended
Edmond Tay Nam Hiong	- Quantum Sales Kick Off
Kok Cheang-Hung	- Business Valuation: Key Point for the AC (SID and Duff & Phelps) - Blockchain for Directors (SID and KPMG) - Amazon's Approach to Innovation (SID and Amazon Web Services) - Financial Report: Fraud in China (SID, SGX RegCo and KPMG) - Effective Investor Marketing, Stakeholder Motivation and Fund-Raising (Malaysian Investor Relations Association Workshop)
Geoffrey Ng Ching Fung	- CFA Institute 72nd Annual Conference - Disruption: The New Reality in Investment Management - United Nations PRI – ESG Integration - CFA Society Malaysia – ESG Investing - Panel speaker on ESG Investing with CFA Society Slovenia, Ljubljana

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 tranparent 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.

A. THE BOARD (CONT'D)

x. Directors' Remuneration (Cont'd)

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.

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

The Company

Name of Directors	Fees (RM)	Salaries & Benefits in Kind (RM)	Meeting allowance (RM)	Total (RM)
Tan Jeck Min	48,000	–	–	48,000
Edmond Tay Nam Hiong (Appointed on 1 April 2019)	36,000	–	–	36,000
John Chin Shoo Ted	72,000	–	1,500	73,500
Kok Cheang-Hung	60,000	–	2,500	62,500
Geoffrey Ng Ching Fung	150,000	–	2,500	152,500
Teo Chong Meng Philip Dominic (Resigned on 29 April 2019)	16,000	–	–	16,000
TOTAL	**382,000**	**–**	**6,500**	**388,500**

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	513,000	37,583	–	598,583
Edmond Tay Nam Hiong (Appointed on 1 April 2019)	36,000	596,921	25,055	–	657,976
John Chin Shoo Ted	72,000	–	–	1,500	73,500
Kok Cheang-Hung	60,000	–	–	2,500	62,500
Geoffrey Ng Ching Fung	150,000	–	–	2,500	152,500
Teo Chong Meng Philip Dominic (Resigned on 29 April 2019)	16,000	125,427	9,396	–	150,823
TOTAL	**382,000**	**1,235,348**	**72,034**	**6,500**	**1,695,882**

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

A. THE BOARD (CONT'D)

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 2019

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

Committee Members	No. of Meetings Attended
Kok Cheang-Hung	4/4
John Chin Shoo Ted	3/4
Geoffrey Ng Ching Fung	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.

The Committee had carried out the following activities during the financial year ended 31 December 2019 ("FY2019") 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 issues or adjustments arising from the audit, as well as compliance with accounting standards and other legal requirements before recommending to the Board for approval and release of the announcements to Bursa Securities and submission to Securities Commission Malaysia and Companies Commission of Malaysia;

2. Considered and recommended the appointment/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 FY2019 presented by the External Auditors;

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

The Committee had carried out the following activities during the financial year ended 31 December 2019 ("FY2019") in discharging their duties and responsibilities: (Cont'd)

4. Reviewed the Audit Report and annual Audited Financial Statements with the External Auditors and finance team, focusing particularly on significant changes to accounting policies and practices, going concern assumptions, adjustments arising from the audits, and significant matters arising from the audit of the Group, compliance with the relevant accounting standards and other legal requirements to ensure compliance with the provisions of the Companies Act 2016 and the AMLR of Bursa Securities.

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 Overview 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 and Securities Commission Malaysia accordingly.

RELATIONSHIP WITH AUDITORS

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

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

Audit Committee Report (Cont'd)

RELATIONSHIP WITH AUDITORS (CONT'D)

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 FY2019 upon such evaluation criteria as set out in its Annual Assessment Form. These include:-

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

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

INTERNAL AUDIT FUNCTION

Appointment

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

IA Activities

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

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

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

i. IA Plan for the Group

The IA Plan for the FY2019 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 were tabled to the Committee for review by the Internal Auditors three (3) times during the FY2019. 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 was 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 were 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.

INTERNAL AUDIT FUNCTION (CONT'D)

Total costs incurred for the IA function

The total fee accrued for the IA function of the Group for the FY2019 was RM29,000.

Evaluation of performance of the Internal Auditors

The Committee had collectively evaluated the performance of the Internal Auditors for the FY2019 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 of Directors ("Board") of Kronologi Asia Berhad ("Kronologi" or "Company") is required to make a statement in the annual report on the state of risk management and internal controls in the Company and its subsidiaries ("Group"). In this respect, the Board is pleased to present the following Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2019 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 than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system covers, inter alia, management of risks, 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 a financial year enables the Group to make careful, 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 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.

The Board has established an Enterprise Risk Management ("ERM") Framework for the Group.

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 MANAGEMENT FRAMEWORK (CONT'D)

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.

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

On a yearly basis, the Board requested OAC Consulting Sdn. Bhd. to perform risk identification and evaluation annually, the results of which were tabled during the year at the Audit Committee meeting and used as a basis to determine the scope of the 2019 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 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;

- 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.

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

INTERNAL AUDIT FUNCTION

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

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

During the financial year ended 31 December 2019, 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.

The Internal Auditors have reviewed and evaluated the adequacy and effectiveness of the internal control system over inventories and credit management 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 2019 was RM29,000.

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 2019. Their review was performed in accordance with Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. The External Auditors have reported to the Board that nothing had come to their attention that caused them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is it factually inaccurate.

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 2019.

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 Director's 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 2019 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 2019, 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

There were no proceeds raised by the Company from any corporate proposal during the financial year ended 31 December 2019.

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 2019 are as follows:-

	Group RM	Company RM
Audit Fee	564,750	160,000
Non-Audit Fee	8,000	8,000

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

There were no material contracts entered into by the Company and/or its subsidiaries, involving Directors' or major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2019 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 or trading nature during the financial year ended 31 December 2019.

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.

There were no shares granted under the SGP during the financial year ended 31 December 2019.

Details in the movement of the shares granted since its inception are as follows:-

	Number of shares over ordinary shares		
	Employees	Directors (including chief executive officer)	Total
Total shares granted	2,108,400	–	2,108,400
Total shares exercised	2,108,400	–	2,108,400
Total shares outstanding	–	–	–

The actual allocation of SGP to the Key Senior Management as at 31 December 2019 is 6.85%.

Sustainability Statement

SUSTAINABILITY STATEMENT

Kronologi Asia Berhad ("Kronologi" or "Company") aims to conduct a sustainable business which enhances value to 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 continued 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 since 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 at the workplace 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 such matters as and when they arise.

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 2019, the Group raised and contributed a total of SGD25,000 for Filos Community Services Ltd.

The Group also donated SGD10,000 to National Crime Prevention Council in support of the educational efforts of crime prevention.

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 2019.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	18,596,394	1,386,058

DIVIDENDS

The dividend declared and paid by the Company since the end of the previous financial year in respect of the financial year ended 31 December 2019 was a final single tier dividend of 2 sen per ordinary shares paid on 14 June 2019 amounted to RM9,785,546.60.

There was no final dividend proposed and declared during the financial year.

RESERVES AND PROVISIONS

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

DIRECTORS

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

John Chin Shoo Ted
Tan Jeck Min
Kok Cheang-Hung
Geoffrey Ng Ching Fung
Edmond Tay Nam Hiong
Teo Chong Meng Philip Dominic (Resigned on 29 April 2019)

DIRECTORS (CONT'D)

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

Teo Chong Meng Philip Dominic
Enrique G. Velasco
Jennifer Joy G. Ortiz
Romualdo G. Velasco
Law Chee Yii (Resigned on 16 August 2019)
Yee Chin Fui (Resigned on 13 January 2020)
Chan Wei Khuen (Resigned on 15 April 2020)

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 appointment date/ beginning of the year	**Bought**	**Sold**	**At end of the year**
Interest in the Company				
Direct interest				
Tan Jeck Min	55,129,768	–	–	55,129,768
Edmond Tay Nam Hiong	260,000	–	–	260,000
John Chin Shoo Ted	135,000	–	–	135,000
Kok Cheang-Hung	21,000	–	–	21,000
Indirect interest				
Edmond Tay Nam Hiong	24,213,220	–	–	24,213,220

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 26 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 90,467,784 new ordinary shares at issue price of RM0.5665 for a total consideration of RM51,250,000 pursuant to the acquisition of subsidiary as disclosed in Note 6 to the financial statements.

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

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

OTHER STATUTORY INFORMATION

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

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts is required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected to realise.

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

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

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

There are no significant events during the financial year.

Details of event subsequent to year end is disclosed in Note 34 to the financial statements.

AUDITORS

The total amount of fee paid to or receivable by the Auditors, as remuneration for their services as auditors of the Group and Company for the financial year ended 31 December 2019 amounted to RM572,750 and RM168,000 respectively.

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

The auditors, Messrs PKF have expressed their willingness to continue in office.

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

....)
EDMOND TAY NAM HIONG)
)
)
) **DIRECTORS**
)
)
....)
TAN JECK MIN)

Singapore

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 48 to 119 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 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.

....

EDMOND TAY NAM HIONG **TAN JECK MIN**

Singapore

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 48 to 119 are correct and I make this solemn declaration by virtue of the provisions of the Oaths and Declarations Act (Cap. 211), and subject to the penalties provided by that Act for the making of false statement in statutory declarations, conscientiously believing the same to be true in every particular.

Subscribed and solemnly declared by)
the abovenamed at Singapore on this)
day of 30 April 2020)
)

....

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 2019 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 48 to 119.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 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.

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.

Independent Auditors' Report (Cont'd)

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) (Cont'd)

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 projected cash flow used for the valuation of intangible assets and testing key assumptions used in the valuation.

Valuation of goodwill (Group)

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

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

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

We assessed the historical accuracy of management's budgets and forecasts. 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 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.

Independent Auditors' Report (Cont'd)

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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.

Independent Auditors' Report (Cont'd)

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

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

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

- 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.

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

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

2. The comparative figures were audited by another firm of auditors who expressed an unmodified opinion on these statements on 23 April 2019.

PKF
AF 0911
CHARTERED ACCOUNTANTS

SHARINAH BINTI MOHAMED IQBAL
03285/10/2020 J
CHARTERED ACCOUNTANT

Kuala Lumpur
30 April 2020

Statements Of Financial Position

as at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	45,590,675	21,384,466	288,842	267,548
Goodwill on consolidation	5	119,590,128	62,904,172	–	–
Investment in subsidiaries	6	–	–	137,764,100	62,764,100
Investment in an associate	7	12,927,715	12,640,427	12,553,024	12,553,024
Intangible assets	8	4,126,296	4,530,309	4,126,296	4,530,309
Other receivables	9	7,835,619	2,557,866	–	–
Deferred tax assets	10	502,973	169,879	–	–
Total non-current assets		190,573,406	104,187,119	154,732,262	80,114,981
Current assets					
Inventories	11	20,640,526	34,339,025	–	–
Trade receivables	12	59,855,533	28,701,975	–	–
Other receivables	9	27,858,028	7,086,500	341,109	479,151
Amount due from subsidiaries	6	–	–	37,422,618	38,720,133
Amount due from an associate	7	6,759,849	2,631,358	–	–
Tax recoverable		44,831	60,485	37,250	–
Other investment	13	10,655,033	21,109,714	10,655,033	21,109,714
Fixed deposit with a licensed bank	14	12,282,071	16,547,728	–	–
Cash and bank balances	15	34,112,721	31,783,907	848,394	2,107,887
Total current assets		172,208,592	142,260,692	49,304,404	62,416,885
Total assets		362,781,998	246,447,811	204,036,666	142,531,866
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	16	181,850,898	130,600,898	181,850,898	130,600,898
Share premium	16	–	–	–	–
Merger deficit	17	(17,406,096)	(17,406,096)	–	–
Exchange translation reserve	18	2,455,324	3,161,434	–	–
Retirement benefit obligations	19	210,938	–	–	–
Retained earnings		55,908,782	47,164,160	3,144,670	11,549,280
Total equity		223,019,846	163,520,396	184,995,568	142,150,178

Statements Of Financial Position (Cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
LIABILITIES					
Non-current liabilities					
Deferred income	20	11,877,042	8,104,229	–	–
Lease liabilities	21	5,581,898	8,087,049	–	–
Other payables	22	43,483	75,247	–	–
Retirement benefits obligations	19	937,605	–	–	–
Deferred tax liabilities	10	2,638,291	894,572	–	–
Total non-current liabilities		21,078,319	17,161,097	–	–
Current liabilities					
Trade payables	23	27,775,300	21,840,915	–	–
Other payables	22	31,968,360	7,354,930	18,983,406	354,356
Amount due to an associate	7	1,307,196	–	–	–
Deferred income	20	22,538,037	10,844,325	–	–
Lease liabilities	21	3,713,198	3,585,528	57,692	–
Borrowings	24	30,551,126	21,193,331	–	–
Current tax payable		830,616	947,289	–	27,332
Total current liabilities		118,683,833	65,766,318	19,041,098	381,688
Total liabilities		139,762,152	82,927,415	19,041,098	381,688
Total equity and liabilities		362,781,998	246,447,811	204,036,666	142,531,866

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 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	25	235,501,069	163,065,116	4,412,525	20,012,750
Cost of sales		(186,763,492)	(122,790,825)	(404,013)	(196,019)
Gross profit		48,737,577	40,274,291	4,008,512	19,816,731
Other income		3,449,001	675,420	531,144	688,664
Selling and distribution expenses		(13,882,494)	(12,590,898)	–	–
Operating expenses		(13,031,969)	(10,848,220)	(3,158,402)	(2,726,200)
Finance income		368,941	501,613	15,815	416,699
Finance cost		(2,032,100)	(1,098,512)	(9,142)	–
Share of results of equity-accounted associate		309,158	66,300	–	–
Profit before tax		23,918,114	16,979,994	1,387,927	18,195,894
Tax expense	27	(5,321,720)	(720,240)	(1,869)	(54,016)
Profit for the financial year, attributable to the owners of the Company		18,596,394	16,259,754	1,386,058	18,141,878
Other comprehensive income:-					
Item that will be reclassified subsequently to profit or loss					
Share of other comprehensive income of equity-accounted associate		21,870	21,103	–	–
Exchange translation differences		(684,240)	848,788	–	–
Total comprehensive income for the financial year, attributable to the owners of the Company		17,934,024	17,129,645	1,386,058	18,141,878
Earnings per share attributable to the owners of the Company (sen)	28				
- Basic		4.04	4.51		
- Diluted		3.97	*		

* 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 2019

	Note	Share capital RM	Share premium RM	Merger deficit RM	Exchange translation reserve RM	Retirement benefit obligations RM	Retained earnings RM	Total RM
		< ------ Attributable to owners of the Company						------ >
		< ------ Non-distributable				------ >	Distributable	
Group								
Balance as at 1 January 2017		81,104,128	10,493,584	(17,406,096)	2,291,543	–	33,414,653	109,897,812
- Effect of adoption of MFRS 15		–	–	–	–	–	(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	16	10,493,584	(10,493,584)	–	–	–	–	–
Transaction with owners:								
Issuance of share capital	16	39,003,186	–	–	–	–	–	39,003,186
Balance as at 31 December 2018, as previously stated		130,600,898	–	(17,406,096)	3,161,434	–	47,164,160	163,520,396
- Effect of adoption of MFRS 16 (Note 2(d))		–	–	–	–	–	(66,225)	(66,225)
Balance as restated		130,600,898	–	(17,406,096)	3,161,434	–	47,097,935	163,454,171
Exchange translation differences		–	–	–	(706,110)	–	–	(706,110)
Profit for the financial year		–	–	–	–	–	18,596,394	18,596,394
Total comprehensive income for the financial year		–	–	–	(706,110)	–	18,596,394	17,890,284

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

	Note	Share capital RM	Share premium RM	Merger deficit RM	Exchange translation reserve RM	Retirement benefit obligations RM	Retained earnings RM	Total RM
		< ---- Attributable to owners of the Company						---- >
		< ---- Non-distributable				---- >	Distributable	
Acquisition of subsidiary		–	–	–	–	210,938	–	210,938
Transaction with owners:								
Issuance of share capital	16	51,250,000	–	–	–	–	–	51,250,000
Dividends paid		–	–	–	–	–	(9,785,547)	(9,785,547)
		51,250,000	–	–	–	–	(9,785,547)	41,464,453
Balance as at 31 December 2019		181,850,898	–	(17,406,096)	2,455,324	210,938	55,908,782	223,019,846

	Note	Share capital RM	Share premium RM	(Accumulated losses) /Retained earnings RM	Total RM
		< ---- Attributable to owners of the Company			---- >
			Non-distributable	Distributable	
Company					
Balance as at 1 January 2018		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	16	10,493,584	(10,493,584)	–	–
Transaction with owners:					
Issuance of share capital	16	39,003,186	–	–	39,003,186
Balance as at 31 December 2018, as preciously stated		130,600,898	–	11,549,280	142,150,178
- Effect of adoption of MFRS 16		–	–	(5,121)	(5,121)

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

Statements Of Changes In Equity (Cont'd)

	Note	< --------------- Attributable to owners of the Company --------------- >			
		Non-distributable		Distributable	
	Note	Share capital RM	Share premium RM	(Accumulated losses) /Retained earnings RM	Total RM
Balance as restated		130,600,898	–	11,544,159	142,145,057
Total comprehensive income for the financial year		–	–	1,386,058	1,386,058
Transaction with owners:					
Issuance of share capital	16	51,250,000	–	–	51,250,000
Dividends paid		–	–	(9,785,547)	(9,785,547)
Total transaction with owners		51,250,000	–	(9,785,547)	41,464,453
Balance as at 31 December 2019		181,850,898	–	3,144,670	184,995,568

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
OPERATING ACTIVITIES					
Profit before tax		23,918,114	16,979,994	1,387,927	18,195,894
Adjustments for:-					
Amortisation of intangible assets		404,013	196,019	404,013	196,019
Depreciation of property, plant and equipment		9,832,525	6,458,867	202,136	34,564
Dividend income from a subisidiary		–	–	–	(10,092,750)
Gain on disposal of property, plant and equipment		(9)	(118)	–	–
Interest expense		2,032,100	1,098,512	–	–
Interest income		(368,941)	(501,613)	(15,815)	(416,699)
Impairment loss on inventories/ Inventories written off		102,936	1,202,171	–	–
Property, plant and equipment written off		45,236	385,785	–	–
Impairment loss on receivables		23,030	–	–	–
Reversal of inventories write-down		(1,440,408)	–	–	–
Share grant expenses		–	1,697,262	–	58,202
Share of results of equity-accounted associate		(309,158)	(66,300)	–	–
Unrealised (gain)/loss on foreign exchange		(640,480)	(1,319,274)	172,962	(257,559)
Operating profit before working capital changes		33,598,958	26,131,305	2,151,223	7,717,671
Changes in working capital:					
Inventories		25,741,611	1,547,838	–	–
Receivables		7,306,909	10,565,506	138,042	(311,281)
Payables		(28,671,331)	(15,643,972)	(120,950)	(751,084)
Subsidiaries		–	–	(5,305,246)	(9,440,000)
Deferred income		5,296,290	8,538,103	–	–
Associate		(2,764,657)	(2,567,856)	–	–
Cash generated from/(used in) operations		40,507,780	28,570,924	(3,136,931)	(2,784,694)
Interest received		368,941	501,613	15,815	416,699
Tax paid		(7,293,257)	(1,229,540)	(66,451)	(46,184)
Net cash from/(used in) operating activities		33,583,464	27,842,997	(3,187,567)	(2,414,179)

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

Statements Of Cash Flows (Cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
INVESTING ACTIVITIES					
Investment in an associate		–	(12,553,024)	–	(12,553,024)
Purchase of property, plant and equipment	A	(31,081,714)	(6,482,028)	–	–
Proceeds from disposal of property, plant and equipment		1,905	60,837	–	–
Repayment from/(Advances to) subsidiaries		–	–	1,429,799	(4,530,407)
Acquisition of subsidiaries, net of cash acquired (Note 6)		268,442	–	–	–
Addition of intangible assets (Note 8)		–	(664,445)	–	(664,445)
Net cash (used in)/from investing activities		(30,811,367)	(19,638,660)	1,429,799	(17,747,876)
FINANCING ACTIVITIES	B				
Proceeds from issuance of share capital		–	22,985,924	–	22,985,924
Repayment of lease liabilities/ finance lease liabilities		(5,311,709)	(2,735,198)	(170,859)	–
Net (repayment)/drawdown of borrowings		(1,264,675)	7,614,219	–	–
Dividend paid		(9,785,547)	–	(9,785,547)	–
Interest paid		(2,032,100)	(1,098,512)	–	–
Net cash (used in)/from financing activities		(18,394,031)	26,766,433	(9,956,406)	22,985,924
CASH AND CASH EQUIVALENTS					
Net movement		(15,621,934)	34,970,770	(11,714,174)	2,823,869
Effect of exchange translation differences		3,230,410	(629,817)	–	–
At beginning of the financial year		69,441,349	35,100,396	23,217,601	20,393,732
At end of the financial year	C	57,049,825	69,441,349	11,503,427	23,217,601

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

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 in 2018 with aggregate cost of RM18,190,545 of which RM11,708,517 were acquired by means of finance lease arrangements. Cash payments in 2018 of RM6,482,028 were made by the Group to purchase these property, plant and equipment.

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group			
	2019		2018	
	Borrowings RM	Lease liabilities RM	Borrowings RM	Finance lease liabilities RM
At 1 January	21,193,331	11,672,577	13,121,831	2,616,214
Adoption of MFRS 16	–	2,415,281	–	–
As restated	21,193,331	14,087,858	13,121,831	2,616,214
Cash flows	(1,264,675)	(5,311,709)	7,614,219	(2,735,198)
Acquisition of subsidiary	10,902,595	323,386	–	–
Purchase of property, plant and equipment	–	–	–	11,708,517
Foreign currency translation differences	(280,125)	277,414	457,281	158,800
Unrealised gain on foreign exchange	–	(81,853)	–	(75,756)
At 31 December	30,551,126	9,295,096	21,193,331	11,672,577

	Company 2019 Lease liabilities RM
At 1 January, Restated	–
Cash flows	(170,859)
At 31 December	(170,859)

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other investment (Note 13)	10,655,033	21,109,714	10,655,033	21,109,714
Fixed deposit with a licensed bank	12,282,071	16,547,728	–	–
Cash and bank balances	34,112,721	31,783,907	848,394	2,107,887
	57,049,825	69,441,349	11,503,427	23,217,601

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

Notes To The **Financial Statements**

– 31 December 2019

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.77, 79, 81, 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 **30 April 2020**.

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 2019.

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

MFRS 16 Leases
In the current financial year, the Company has adopted MFRS 16 Leases ("MFRS 16") effective for the annual financial period beginning on or after 1 January 2019. The date of initial application is as of the beginning of the reporting period, in which the Company first applies MFRS 16 i.e. 1 January 2019.

The standard introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payment. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating leases.

Right of use assets are disclosed as a single line in the statement of financial position. The lease liabilities are included as borrowings in the statement of financial position.

Notes To
The Financial Statements (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

The effect of adopting MFRS16 was as follows:

	As at 31 December 2018 RM	Effect of adoption of MFRS 16 RM	As at 1 January 2019 RM
Assets			
Property, plant and equipment	21,384,466	2,481,506	23,865,972
Liabilities			
Finance lease liabilities	(11,672,577)	11,672,577	–
Lease liabilities	–	(14,087,858)	(14,087,858)
Equity			
Retained earnings	47,164,160	(66,225)	47,097,935

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	RM
Operating lease commitments at 31 December 2018	2,822,658
Less:	
Commitments relating to short-term lease	–
Commitments relating to leases of low-value assets	–
	2,822,658
Weighted average incremental borrowing rate as at 1 January 2019	1% to 8%
Discounted operating lease commitments as at 1 January 2019	2,415,281
Add:	
Commitments relating to lease previously classified as finance lease	11,672,577
Lease liabilities as at 1 January 2019	14,087,858

2. BASIS OF PREPARATION (CONT'D)

(e) Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 2, Share-based Payment	1 January 2020
• Amendments to MFRS 3, Business Combinations	1 January 2020
• Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2020
• Amendments to MFRS 14, Regulatory Deferral Accounts	1 January 2020
• Amendments to MFRS 101, Presentation of Financial Statements	1 January 2020
• Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
• Amendments to MFRS 134, Interim Financial Reporting	1 January 2020
• Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
• Amendments MFRS 138, Intangible Assets	1 January 2020
• MFRS 17, Insurance Contracts	1 January 2021
• Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128 Investment in Associate and Joint Ventures: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Deferred
• Amendments to IC Interpretation 12, Service Concession Arrangements	1 January 2020
• Amendments to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
• Amendments to IC interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
• Amendments to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration	1 January 2020
• Amendments to IC Interpretation 132, Intangible Assets - Web Site Costs	1 January 2020

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

(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.

Notes To
The Financial Statements (Cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

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 2019, 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)

Estimation uncertainty (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 32(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 27 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

Business combinations and goodwill (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

Associate (Cont'd)

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.

3.2 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency translation (Cont'd)

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.

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:

Infrastructure equipment	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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Amortisation 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 amortisation based on the estimated useful lives of the assets are as follows:

Intangible assets with finite useful life	5 years

Indefinite life

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

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

Research and development costs

Research costs are expensed as incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases

Accounting policies applied from 1 January 2019

(i) Initial recognition and measurement

As a lessee

The Company recognised right-of-use asset and lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises as follows:

- the initial amount of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Variable lease payments that do not depends on an index or a rate are excluded from lease liability and right-of-use asset and recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

(ii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses determined in accordance with Note 4 to the financial statements, if any, and adjusted for certain remeasurements of the lease liability.

Accounting policies applied until 31 December 2018

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (Cont'd)

Accounting policies applied until 31 December 2018 (Cont'd)

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.

3.6.2 Financial asset - categorisation and subsequent measurement

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6. Financial instruments (Cont'd)

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6. Financial instruments (Cont'd)

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.

3.6.5 Financial assets – impairment

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6. Financial instruments (Cont'd)

3.6.5 Financial assets – impairment (Cont'd)

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 32(B)(a) to accounts for a detailed analysis of how the impairment requirements of MFRS 9 are applied.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue recognition (Cont'd)

Licensing fee

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax expense

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

Current tax

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

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

Deferred tax

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

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

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.

Notes To
The Financial Statements (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Infrastructure equipment RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Leasehold building RM	Total RM
Group							
Cost							
At 1 January 2018	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, as previously stated	31,306,574	820,693	388,600	853,698	256,930	–	33,626,495
- Effect of adoption of MFRS 16	–	–	–	–	–	4,732,685	4,732,685
Balance as restated	31,306,574	820,693	388,600	853,698	256,930	4,732,685	38,359,180
Acquisition of a subsidiary	95,973	4,328,481	–	208,748	59,176	835,655	5,528,033
Additions	30,888,451	193,263	–	–	–	273,052	31,354,766
Disposals	(8,217)	(183,533)	–	–	–	–	(191,750)
Written off	(28,721)	(78,016)	–	–	–	–	(106,737)
Foreign currency translation differences	(286,853)	69,971	(1,765)	(3,615)	(1,550)	(25,270)	(249,082)
At 31 December 2019	61,967,207	5,150,859	386,835	1,058,831	314,556	5,816,122	74,694,410

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

	Infrastructure equipment RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Leasehold building RM	Total RM
Group (cont'd)							
Accumulated depreciation							
At 1 January 2018	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, as previously stated	10,446,825	620,379	207,014	736,240	231,571	–	12,242,029
- Effect of adoption of MFRS 16	–	–	–	–	–	2,251,179	2,251,179
Balance as restated	10,446,825	620,379	207,014	736,240	231,571	2,251,179	14,493,208
Acquisition of a subsidiary	74,476	4,241,669	–	208,748	22,684	557,102	5,104,679
Charge for the financial year	7,609,102	185,183	30,508	28,646	33,694	1,945,392	9,832,525
Disposals	(6,321)	(183,533)	–	–	–	–	(189,854)
Written off	(9,096)	(52,405)	–	–	–	–	(61,501)
Foreign currency translation differences	(105,040)	71,456	(1,662)	(5,268)	(2,535)	(32,273)	(75,322)
At 31 December 2019	18,009,946	4,882,749	235,860	968,366	285,414	4,721,400	29,103,735
Net carrying amount							
At 31 December 2019	43,957,261	268,110	150,975	90,465	29,142	1,094,722	45,590,675
At 31 December 2018	20,859,749	200,314	181,586	117,458	25,359	–	21,384,466

The carrying amount of the infrastructure equipment (2018 : infrastructure equipment and motor vehicles) held under lease is RM11,786,059 (2018: RM16,929,686 and RM25,360 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	Leasehold building RM	Total RM
Company					
Cost					
At 31 December 2018,					
as previously stated	122,848	12,971	209,821	–	345,640
- Effect of adoption of MFRS 16	–	–	–	335,145	335,145
Balance as restated/					
At 31 December 2019	122,848	12,971	209,821	335,145	680,785
Accumulated depreciation					
At 1 January 2018	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,					
as previously stated	27,565	3,319	47,208	–	78,092
- Effect of adoption of MFRS 16	–	–	–	111,715	111,715
Balance as restated	27,565	3,319	47,208	111,715	189,807
Charge for the financial year	12,285	1,297	20,982	167,572	202,136
At 31 December 2019	39,850	4,616	68,190	279,287	391,943
Net carrying amount					
At 31 December 2019	82,998	8,355	141,631	55,858	288,842
At 31 December 2018	95,283	9,652	162,613	–	267,548

5. GOODWILL ON CONSOLIDATION

	Group	
	2019 RM	2018 RM
At 1 January	62,904,172	62,358,187
Acquisition of a subsidiary	56,967,884	–
Effect on exchange translation differences	(281,928)	545,985
At 31 December	119,590,128	62,904,172

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

5. GOODWILL ON CONSOLIDATION (CONT'D)

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

- Cash flows were projected based on actual operating results and a 5-year business plan.
- Revenue was projected at anticipated annual revenue growth of approximately 6% to 10% (2018: 5% to 10%) per annum.
- Expenses were projected at an annual increase of approximately 6% to 10% (2018: 4% to 8%) per annum.
- A pre-tax discount rate of range of approximately 10.40% to 14.79% (2018: 12.70%) 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 2019 RM	Company 2018 RM
Unquoted shares, at cost	137,764,100	62,764,100

The details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	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.

Notes To
The Financial Statements (Cont'd)

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 2019 %	Effective interest 2018 %	Principal activities
Sandz Solutions (Singapore) Pte Ltd ("Sandz")*	Singapore	100	–	Investment holding and distribution and reselling of computers, related products
Subsidiaries of QSA				
Quantum Storage South Asia Sdn. Bhd.	Malaysia	100	100	Infrastructure technology business providing data protection, hardware and software solutions to enterprise
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.
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.
Subsidiaries of Sandz				
Sandz Solutions Philippines, Inc*	Philippines	100	–	Distribution and reselling of computers, related products
Sandz Solutions (China) Co., Ltd	Republic of China	100	–	Dormant. Strike off on 19 March 2020

* The companies are audited by other firms of auditors.
\# The companies are audited by member alliance

6. SUBSIDIARIES (CONT'D)

A. Investment in subsidiaries (Cont'd)

Acquisition of a subsidiary

2019 – Sandz

On 27 December 2018, the Company entered into a conditional sale and purchase agreement ("SPASandz") with a third party to acquire the entire issued and paid-up share capital of Sandz for a purchase consideration of up to RM75,000,000.

The purchase consideration was satisfied through a mixture of allotment and issuance of up to 123,565,754 new ordinary shares of the Company ("Consideration Shares") and payment of a cash consideration component, details as follows:

(i) 1st payment tranche: Payment of RM56,250,000 in which shall be fully satisfied by the mixture of RM5,000,000 in cash and allotment and issuance of 90,467,784 Consideration Shares by the Company, each credited as fully paid-up, at the issue price of RM0.5665 per Consideration Share ("Issue Price"), on the completion date of the SPASandz; and

(ii) 2nd payment tranche: Payment of RM18,750,000, shall be fully satisfied by the allotment and issuance of 33,097,970 Consideration Shares by the Company, each credited as fully paid-up, at the Issue Price, upon Sandz Group achieving the Profit Warranty of USD1,500,000 for financial year ended 31 December 2019.

In the event that Sandz 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 USD15,000 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 2019.

Notes To
The Financial Statements (Cont'd)

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:

	2018 **RM**
Fair value of consideration:	
Cash consideration	5,000,000
Equity instruments issued	51,250,000
Contingent consideration recognised as at acquisition date	18,750,000
	75,000,000
Fair value of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	423,354
Other non current assets	78,133
Inventories	10,864,067
Trade and other receivables	65,264,226
Deferred tax assets	953,672
Cash and cash equivalents	5,268,442
Trade and other payables	(52,237,177)
Borrowings	(11,225,981)
Current tax liabilities	(1,356,620)
	18,032,116
Net cash (inflow)/outflow arising from acquisition of subsidiaries	
Cash and cash equivalents acquired	(268,442)
Goodwill recognised as a result of the acquisition as follows:	
Fair value of consideration	75,000,000
Fair value of identifiable net assets	(18,032,116)
	56,967,884

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 RM841,000 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 RM90,398,306 and RM5,558,989 to the Group's revenue and profit 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 RM125,860,741 and RM6,236,560 respectively.

B. Amount due from subsidiaries

	2019 RM	2018 RM
Trade	25,087,576	19,782,330
Non-trade	12,335,042	18,937,803
	37,422,618	38,720,133

The trade balance included dividend receivable of RM10,235,055 (2018: RM10,092,750). The normal trade credit terms granted by the Company is 30 days (2018: 30 days).

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	
	2019 RM	2018 RM
US Dollar	16,503,003	12,745,888
Singapore Dollar	1,847,266	1,952,030

7. ASSOCIATE

A. Investment in an associate

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted shares outside Malaysia, at cost	12,553,024	12,553,024	12,553,024	12,553,024
Share of post-acquisition reserves	374,691	87,403	–	–
	12,927,715	12,640,427	12,553,024	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 2019 %	Effective interest 2018 %	Principal activities
Quantum China Limited ("QCL")	British Virgin Islands	16.67	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, 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.

	2019 RM	2018 RM
Financial position		
Non-current assets	4,452,994	943,634
Current assets	28,016,028	21,738,314
Non-current liabilities	(2,856,716)	(1,127,777)
Current liabilities	(15,708,141)	(9,373,389)
Net assets	13,904,165	12,180,782
Summary of financial performance		
Net profit/total comprehensive income for the year	1,854,575	397,718
Reconciliation of net assets to carrying amount		
Group's share of net assets	2,317,824	2,030,536
Goodwill	10,609,891	10,609,891
Carrying amount in the Statements of Financial Position	12,927,715	12,640,427
Group's share of results		
Group's share of profit or loss	375,458	66,300
Group's share of other comprehensive income	(767)	21,103
Group's share of total comprehensive income	374,691	87,403

Contingent liabilities and capital commitments

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

B. Amount due from/(to) an associate

The amount due from/(to) an associate is trade in nature, interest free and with credit term of 60 days (2018: 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 2018	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 2018/2019	–	2,020,038	2,793,271	4,813,309
Accumulated amortisation				
At 1 January 2018	–	86,981	–	86,981
Amortisation for the financial year	–	196,019	–	196,019
At 31 December 2018	–	283,000	–	283,000
Amortisation for the financial year	–	404,013	–	404,013
At 31 December 2019	–	687,013	–	687,013
Net carrying amount				
At 31 December 2019	–	1,333,025	2,793,271	4,126,296
At 31 December 2018	–	1,737,038	2,793,271	4,530,309

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.

Notes To
The Financial Statements (Cont'd)

8. INTANGIBLE ASSETS (CONT'D)

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)	Technical service fee	-	The technical service fee is determined by management which is receivable from its subsidiary.
(ii)	Discount rate	-	The discount rate applied to the cash flows projection is 10.40% (2018: 12.70%) 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Non-current				
Prepayments	7,835,619	2,557,866	–	–
Current				
Non-trade receivables	10,111,444	797,128	31,029	84,791
Deposits	1,051,214	964,411	84,457	84,332
Prepayments	16,695,370	5,324,961	225,623	310,028
Total current	27,858,028	7,086,500	341,109	479,151
Total other receivables	35,693,647	9,644,366	341,109	479,151

Prepayments amounting to RM15,987,724 (2018: RM7,353,924) of the Group is in respect of trade expenditure which are maintenance fees paid in advance to suppliers, represented by:

	Group	
	2019 RM	**2018 RM**
Current		
Within one year	16,695,370	5,324,961
Non-current		
Later than one year but not later than two years	4,942,764	1,312,230
Later than two years but not later than five years	2,858,590	1,005,926
More than five years	34,265	239,710
	7,835,619	2,557,866
	24,530,989	7,882,827

9. OTHER RECEIVABLES (CONT'D)

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

	Group	
	2019 RM	2018 RM
US Dollar	102,350	–
Singapore Dollar	579,876	624,296
Thai Baht	18,962	16,131
Indonesian Rupiah	41,392	40,212
Indian Rupee	471,631	664,342
New Taiwan Dollar	25,698	25,442
Philippines Peso	9,695,639	–
Hong Kong Dollar	108,535	108,076

10. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2019 RM	2018 RM
Deferred tax assets	502,973	169,879
Deferred tax liabilities	(2,638,291)	(894,572)
	(2,135,318)	(724,693)

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

At 1 January	(724,693)	(795,904)
Acquisition of subsidiary	953,672	–
Recognised in profit or loss (Note 27)	(2,401,086)	88,374
Foreign currency translation differences	36,789	(17,163)
At 31 December	(2,135,318)	(724,693)

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

	Group	
	2019 RM	2018 RM
Property, plant and equipment	(2,068,030)	(751,583)
Provisions	26,612	26,890
Others	(93,900)	–
	(2,135,318)	(724,693)

Notes To The Financial Statements (Cont'd)

11. INVENTORIES

	Group 2019 RM	Group 2018 RM
Trading goods	20,742,324	34,339,025
Less: Impairment of inventories		
At 1 January	–	–
Impairment	102,936	–
Foreign currency translation differences	(1,138)	–
At 31 December	101,798	–
	20,640,526	34,339,025
Recognised in profit or loss:		
Inventories recognised as cost of sales	144,879,876	100,795,951
Impairment loss of inventories	102,936	–
Reversal of inventories write-down	(1,440,408)	–
Inventories write-down	–	1,202,171

12. TRADE RECEIVABLES

	Group 2019 RM	Group 2018 RM
Trade receivables	59,878,726	28,701,975
Less: Impairment losses		
At 1 January	–	–
Impairment	23,030	–
Foreign currency translation differences	163	–
At 31 December	23,193	–
	59,855,533	28,701,975

The normal trade credit terms granted to the trade receivables range from 7 to 90 days (2018: 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 2019 RM	Group 2018 RM
US Dollar	26,715,183	12,380,151
Singapore Dollar	3,655,294	142,277
Indian Rupee	1,911,654	220,982
New Taiwan Dollar	–	23,616
Philippines Peso	26,862,535	–

13. OTHER INVESTMENT

	Group and Company 2019 RM	2018 RM
Financial asset at fair value through profit or loss		
Current asset		
Cash management fund	10,655,033	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. FIXED DEPOSIT WITH A FINANCIAL INSTITUTION

The fixed deposit is denominated in US dollar, bears an interest rate of 1.65% (2018: 2.36%) per annum and has a maturity period of 1 month (2018:1 month).

15. CASH AND BANK BALANCES

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

	Group 2019 RM	2018 RM
US Dollar	25,406,918	37,909
Singapore Dollar	3,122,363	2,101,907
Thailand Baht	924	452
Philippines Peso	2,211,272	886
Indian Rupee	1,443,646	273,422
Indonesian Rupiah	1,091	4,311
New Taiwan Dollar	163,773	137,479
Hong Kong Dollar	798,326	724,283

Notes To
The Financial Statements (Cont'd)

16. SHARE CAPITAL

Share capital

	Group and Company			
	No. of ordinary shares		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
Issued and fully paid:-				
At 1 January	398,809,546	327,985,097	130,600,898	81,104,128
Issued during the financial year pursuant to:				
- Share grant plan	–	2,108,400	–	1,697,262
- Acquisition of subsidiaries:	90,467,784	32,460,649	51,250,000	14,320,000
- QSI	–	22,256,568	–	4,320,000
- QHK	–	10,204,081	–	10,000,000
- Sandz	90,467,784	–	51,250,000	–
- Private placement	–	36,255,400	–	22,985,924
	90,467,784	70,824,449	51,250,000	39,003,186
Transition to no-par value regime *	–	–	–	10,493,584
At 31 December	489,277,330	398,809,546	181,850,898	130,600,898

Share premium

	Group and Company	
	2019 RM	2019 RM
At 1 January	–	10,493,584
Transition to no-par value regime *	–	(10,493,584)
At 31 December	–	–

* The Companies Act 2016 ("the Act"), which came into effect on 31 January 2018, 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.

17. 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.

18. EXCHANGE TRANSLATION RESERVE

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

19. RETIREMENT BENEFIT OBLIGATIONS

The Group has a non-contributory, defined benefit plan covering all its officers and regular employees. Retirement benefits expense recognised in the statement of comprehensive income is computed based on provision of MFRS 119. The principal actuarial assumptions used to determine the funding of the trust fund is accrued benefit actuarial cost method which take into account the factors of investment, mortality, disability and salary projection rates.

(a) The movement in the defined benefit obligation is as follows:

	Group 2019 RM
Non-current	
At 1 January – Present value of the obligation	–
Acquisition of subsidiary	758,533
Foreign currency translation differences	18,656
	777,189
Expense recognised in profit and loss:-	
- Current service cost	100,555
- Interest cost	59,861
	160,416
Remeasurement in other comprehensive income:-	–
At 31 December - Present value of the obligation	937,605

(b) The accumulated remeasurements loss recognised in the statement of financial positions as follows:-

	Group 2019 RM
Current	
At January	–
Acquisition of subsidiary	210,938
Remeasurement during the year, net of tax	–
At 31 December	210,938

The defined benefit obligation is calculated using the discount rate set with reference to government bonds. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting date) has been applied as when calculating the retirement benefit liability recognised in the statements of financial position.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

Notes To
The Financial Statements (Cont'd)

20. DEFERRED INCOME

	Group 2019 RM	Group 2018 RM
Current		
Within one year	22,538,037	10,844,325
Non-current		
Later than one year but not later than two years	7,785,654	5,167,710
Later than two years but not later than five years	4,080,712	2,936,519
More than 5 years	10,676	–
	11,872,042	8,104,229
	34,415,079	18,948,554

21. LEASE LIABILITIES

Current financial year

	Group 2019 RM	Company 2019 RM
Current	3,713,198	57,692
Non-current	5,581,898	–
	9,295,096	57,692

21. LEASE LIABILITIES (CONT'D)

Current financial year (Cont'd)

Group and Company as Lessee

The Group and Company have lease contracts for building. The Company's obligations under these leases are secured by the lessors' title to the leased assets. The Group and Company are restricted from assigning and subleasing the lease assets. There are several lease contracts that include extension options which are further discussed below.

a) Carrying amounts of right of use assets classified within property, plant and equipment

	Motor Vehicle RM	Infrastructure Equipment RM	Leasehold Building RM	Total RM
Right of use assets				
Group				
At 1 January	25,694	16,929,686	2,481,506	19,436,886
Acquisition of subsidiary	40,981	–	278,553	319,534
Addition	–	–	273,052	273,052
Deprecation	(37,684)	(4,193,464)	(1,945,392)	(6,176,540)
Foreign currency translation differences	150	(9,783)	7,003	(2,630)
At 31 December	29,141	12,726,439	1,094,722	13,850,302

Company

	Leasehold building RM
At 1 January	223,430
Deprecation	(167,572)
At 31 December	55,858

b) Amount recognised in profit or loss

	Group RM	Company RM
Depreciation of right of use assets	6,176,540	167,572
Interest expense on lease liabilities	786,547	9,142
Lease expense not capitalised in lease liabilities	327,535	34,660
	7,290,622	211,374

The total cash outflow for leases for the financial period ended 31 December 2019 is RM5,311,709.

Notes To
The Financial Statements (Cont'd)

21. LEASE LIABILITIES (CONT'D)

Previous financial year

	Group 2018 RM
Minimum lease payments	
Payable within one year	4,269,207
Payable after one year but not later than two years	3,094,230
Payable after two years but not later than five years	5,828,870
	13,192,307
Less: Interest in suspense	(1,519,730)
	11,672,577
Present value of minimum lease payments	
Current:	
Payable within one year	3,585,528
Non-current:	
Payable after one year but not later than two years	2,662,495
Payable after two years but not later than five years	5,424,554
	8,087,049
	11,672,577

The average effective finance lease rate in year 2018 was between 6.22% and 7.47% per annum.

The lease terms in year 2018 range from 3 to 5 years and are on fixed repayment bases.

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

	Group 2018 RM
Singapore Dollar	968,676

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

22. OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current				
Non-trade payables	43,483	75,247	–	–
Current				
Non-trade payables	22,419,571	1,048,704	18,750,869	161,563
Accrual of expenses	9,410,471	5,753,036	232,537	192,793
Deposits received from customers	138,318	553,190	–	–
Total current	31,968,360	7,354,930	18,983,406	354,356
Total other payables	32,011,843	7,430,177	18,983,406	354,356

Included in the non-trade payables is an amount payable to the previous shareholder of Sandz amounting RM18,750,000 as set out in Note 6 to the Financial Statements.

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

	Group	
	2019 RM	2018 RM
US Dollar	1,286,245	688,149
Singapore Dollar	3,648,813	3,053,586
Indian Rupee	444,471	268,144
New Taiwan Dollar	94,134	65,707
Philippines Peso	7,515,948	–
Hong Kong Dollar	78,707	57,088
Others	19,187	20,377

23. TRADE PAYABLES

The normal trade credit terms granted by trade payables range from 30 to 180 days (2018: 30 to 180 days).

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

	Group	
	2019 RM	2018 RM
US Dollar	26,207,135	10,673,614
Singapore Dollar	146,972	141,906
Indian Rupee	119	2,565
New Taiwan Dollar	10,878	–
Hong Kong Dollar	–	12,963
Philippines Peso	1,410,196	–

Notes To
The Financial Statements (Cont'd)

24. BORROWINGS (UNSECURED)

Group

The borrowings consist of bills payable which have effective interest rates between 3.84% and 5.42% (2018: 4.53% and 5.46%) per annum and are repayable within the next 5 months (2018: 3 1/2 months). The borrowings are obtained by way of corporate guarantee by the Company.

25. REVENUE

Revenue comprise the following: -

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Sale of goods	156,480,846	115,845,640	–	–
Rendering of services	79,020,223	47,219,476	3,932,525	9,440,000
Dividend income	–	–	–	10,092,750
Licensing fee	–	–	480,000	480,000
	235,501,069	163,065,116	4,412,525	20,012,750

Disaggregated revenue information

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Segments				
Types of good or service				
EDM infrastructure technology	217,484,794	152,839,176	–	–
EDM Managed services	18,016,275	10,225,940	–	–
Investment holding and others	–	–	4,412,525	20,012,750
Total revenue from contracts with customers	235,501,069	163,065,116	4,412,525	20,012,750
Geographical markets				
Philippines	75,750,860	1,624,569	–	–
Singapore	71,900,016	90,295,172	4,412,525	20,012,750
China	28,913,364	12,177,573	–	–
Hong Kong and Taiwan	27,784,311	28,695,167	–	–
India	17,110,893	9,777,025	–	–
Malaysia	2,313,265	1,454,633	–	–
Others	11,728,360	19,040,977	–	–
Total revenue from contracts with customers	235,501,069	163,065,116	4,412,525	20,012,750

25. REVENUE (CONT'D)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Timing of revenue recognition				
Goods transferred at a point in time	156,480,846	115,845,640	–	–
Service transferred at a point of time	38,409,360	21,509,110	1,655,800	–
Services transferred over time	40,610,863	25,710,366	2,756,725	20,012,750
Total revenue from contracts with customers	235,501,069	163,065,116	4,412,525	20,012,750

26. EMPLOYEE BENEFITS

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Salaries, wages and bonuses	20,527,227	17,289,024	536,771	510,864
Defined contribution plans	1,643,812	1,473,390	67,602	59,265
Share grant expenses	–	1,697,262	–	58,202
Directors' emolument	1,695,882	1,441,434	388,500	359,000
	23,866,921	21,901,110	992,873	987,331
Amount capitalised to intangible assets	–	(664,445)	–	(36,726)
	23,866,921	21,236,665	992,873	950,605

The details of Directors' emoluments are as follows:-

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Remuneration	1,235,348	1,008,395	–	–
Fees	382,000	353,000	382,000	353,000
Defined contribution plans	72,034	74,039	–	–
Others	6,500	6,000	6,500	6,000
	1,695,882	1,441,434	388,500	359,000
Amount capitalised to intangible assets	–	(176,407)	–	–
	1,695,882	1,265,027	388,500	359,000

27. TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax				
- current year	3,124,188	811,504	4,000	54,832
- prior years	(203,554)	(2,890)	(2,131)	(816)
	2,920,634	808,614	1,869	54,016
Deferred tax (Note 10)				
- current year	2,089,943	171,587	–	–
- prior years	311,143	(259,961)	–	–
	2,401,086	(88,374)	–	–
	5,321,720	720,240	1,869	54,016

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	23,918,114	16,979,994	1,387,927	18,195,894
Tax at Malaysian statutory tax rate	5,740,347	4,075,199	333,102	4,367,015
Tax effect in respect of:-				
Effects of different tax rates in other jurisdictions	(528,674)	67,969	–	–
Income not subject to tax	(153,963)	(2,541,375)	(126,755)	(2,422,260)
Expenses not deductible for tax purposes	1,584,885	3,376,341	585,523	192,459
Partial tax exemption and tax incentives	(172,981)	(396,463)	–	–
Others	(154,313)	(91,894)	–	–
Tax impact from MFRS 15	–	(424,976)	–	–
Movement of deferred tax assets not recognised	(314,426)	(1,504,344)	(1,124)	(435,275)
Statutory income exempted under pioneer status	(786,744)	(1,647,107)	(786,746)	(1,647,107)
Under/(Over) provision in prior year	107,589	(193,110)	(2,131)	(816)
	5,321,720	720,240	1,869	54,016

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.

27. TAX EXPENSE (CONT'D)

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 2019.

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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Property, plant and equipment	(66,920)	(53,967)	(55,050)	(56,345)
Provisions	–	–	–	–
Unabsorbed business losses	5,491,280	4,165,064	3,421,603	3,421,603
Unutilised capital allowances	–	3,838	–	–
Enhanced special incentive	–	4,096,928	–	–
Others	549,331	120,902	8,573	5,186
	5,973,691	8,332,765	3,375,126	3,370,444

28. 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	
	2019 RM	**2018 RM**
Profit attributable to ordinary equity holders of the Company	18,596,394	16,259,754
Weighted average number of ordinary shares at 31 December	459,782,354	360,529,612
Basic EPS (sen)	4.04	4.51

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.

28. EARNINGS PER SHARE (CONT'D)

Diluted EPS (Cont'd)

	Group	
	2019 RM	**2018 RM**
Profit attributable to ordinary equity holders of the Company	18,596,394	*
Weighted average number of ordinary shares at 31 December	459,782,354	*
Effect of issuance of share capital upon fulfillment of the condition on acquisition of subsidiary (Note 6)	8,097,970	*
Total weighted average number of shares at 31 December	467,880,324	*
Diluted EPS (sen)	3.97	*

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

29. 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	
	2019 RM	**2018 RM**
Transactions with subsidiaries		
Interest income	–	9,029
Licensing fee income	480,000	480,000
Technical service income	3,932,525	9,440,000
Dividend income	–	10,092,750
Managed services	192,000	192,000
Research and development cost recharge from	–	627,719

29. RELATED PARTY DISCLOSURES (CONT'D)

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries and other emoluments	1,754,130	2,378,234	178,795	169,579
Defined contribution plans	147,411	191,486	22,753	21,110
Share grant expenses	–	98,446	–	18,851
	1,901,541	2,668,166	201,548	209,540
Amount capitalised to intangible assets	–	(213,133)	–	(36,726)
	1,901,541	2,455,033	201,548	172,814

30. LEASE COMMITMENTS

The future minimum lease payments payable under non-cancellable operating lease commitments in year 2018 were as follows:-

	Group RM	Company RM
Not later than one year	2,012,234	180,000
Later than one year but not later than two years	810,424	60,000
	2,822,658	240,000

Lease commitment represents rentals payables for rent of the office space and premises. Leases are negotiated for terms of 1 to 3 years in year 2018.

Notes To
The Financial Statements (Cont'd)

31. 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.

31. 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
2019							
Group revenue:							
External customers		217,484,794	18,016,275	–	235,501,069	–	235,501,069
Inter-segment	i	23,408,223	4,560,651	4,412,525	32,381,399	(32,381,399)	–
Total revenue		240,893,017	22,576,926	4,412,525	267,882,468	(32,381,399)	235,501,069
Depreciation and amortisation		(4,271,634)	(5,358,757)	(606,147)	(10,236,538)	–	(10,236,538)
Interest income		692,606	14,704	15,815	723,125	(354,184)	368,941
Finance cost		(1,144,672)	(1,232,321)	(9,142)	(2,386,135)	354,035	(2,032,100)
Tax expense		(3,968,680)	(1,349,040)	(4,000)	(5,321,720)	–	(5,321,720)
Share of results of an associate		–	–	309,158	309,158	–	309,158
Other non-cash income	ii	1,735,727	369,961	(172,962)	1,932,726	–	1,932,726
Segment profit	iii	18,349,310	5,541,402	1,381,254	25,271,966	149	25,272,115
Assets:							
Investments in an associate		–	–	12,553,024	12,553,024	374,691	12,927,715
Additions to non-current assets	iv	17,617,519	13,737,247	–	31,354,766	–	31,354,766
Segment assets		223,083,616	46,698,412	204,036,664	473,818,692	(111,036,694)	362,781,998
Liabilities:							
Segment liabilities		151,693,372	35,349,039	19,041,098	206,083,509	(66,321,357)	139,762,152

31. 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 expenses	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

31. 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 2019 RM	Group 2018 RM
Gain on disposal of property, plant and equipment	9	–
Impairment loss on inventories	(102,936)	–
Reversal of inventories write-down	1,440,408	–
Inventories write-down	–	(1,202,171)
Unrealised gain on foreign exchange	640,480	1,319,274
Property, plant and equipment written off	(45,236)	(385,785)
	1,932,725	(268,682)

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 2019 RM	Group 2018 RM
Segment profit	25,272,115	17,510,593
Interest income	368,941	501,613
Finance costs	(2,032,100)	(1,098,512)
Share of results of associate	309,158	66,300
Tax expense	(5,321,720)	(720,240)
	18,596,394	16,259,754

iv. Additions to non-current assets consist of:

	Group 2019 RM	Group 2018 RM
Property, plant and equipment	31,354,766	18,190,545
Intangible assets	–	664,445
	31,354,766	18,854,990

31. 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 #	
	2019 RM	2018 RM	2019 RM	2018 RM
Philippines	75,750,860	1,624,569	439,687	284,179
Singapore	71,900,016	90,295,172	118,225,406	40,882,699
China	28,913,364	12,177,573	12,927,715	12,640,427
Hong Kong and Taiwan	27,784,311	28,695,167	43,523,950	39,579,082
India	17,110,893	9,777,025	2,025,089	2,418,424
Malaysia*	2,313,265	1,454,633	4,659,933	5,126,048
Others	11,728,360	19,040,977	433,034	528,515
	235,501,069	163,065,116	182,234,814	101,459,374

* 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
	2019 RM	2018 RM	
Customer A	–	32,743,490	EDM Infrastructure Technology
Customer B	–	27,245,655	EDM Infrastructure Technology

32. FINANCIAL INSTRUMENTS

A. Categories of Financial Instruments

The table below provides an analysis of financial instruments as at 31 December 2019 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			
2019			
Financial assets			
Receivables	71,018,191	–	71,018,191
Amount due from an associate	6,759,849	–	6,759,849
Other investment	10,655,033	10,655,033	–
Fixed deposit with a licensed bank	12,282,071	–	12,282,071
Cash and bank balances	34,112,721	–	34,112,721
	134,827,865	10,655,033	124,172,832
Financial liabilities			
Payables	59,648,825	–	59,648,825
Amount due to an associate	1,307,196	–	1,307,196
Lease liabilities	9,295,096	–	9,295,096
Borrowings	30,551,126	–	30,551,126
	100,802,243	–	100,802,243
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

Notes To
The Financial Statements (Cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

A. Categories of Financial Instruments (Cont'd)

The table below provides an analysis of financial instruments as at 31 December 2019 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			
2019			
Financial assets			
Receivables	115,486	–	115,486
Amount due from subsidiaries	37,422,618	–	37,422,618
Other investment	10,655,033	10,655,033	–
Cash and bank balances	848,394	–	848,394
	49,041,531	10,655,033	38,386,498
Financial liabilities			
Payables	18,983,406	–	18,983,406
Lease liability	57,692	–	57,692
	19,041,098	–	19,041,098
2018			
Financial assets			
Receivables	169,123	–	169,123
Amount due from subsidiaries	38,720,133	–	38,720,133
Other investment	21,109,714	21,109,714	–
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

32. FINANCIAL INSTRUMENTS (CONT'D)

A. Categories of Financial Instruments (Cont'd)

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows (Cont'd):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net gains/(losses) arising on:				
Financial assets measured at amortised cost				
Dividend income from a subsidiary	–	–	–	10,092,750
Interest income	368,941	501,613	15,815	416,699
Impairment loss on receivables	(23,030)	–	–	–
Unrealised gain/(loss) on foreign exchange	640,480	1,319,274	(172,962)	257,559
Realised gain/(loss) on foreign exchange	(236,279)	74,814	(101,490)	428,162
Financial liabilities measured at amortised cost				
Interest expense	(2,032,100)	(1,098,512)	–	–
	(1,281,988)	797,189	(258,637)	11,195,170

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.

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 (Cont'd)**

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.

Notes To
The Financial Statements (Cont'd)

32. 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)**

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 2019, the Company assessed its expected credit losses to be immaterial.

32. 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			
2019			
Within credit terms	0%	40,464,397	–
Past due 0-30 days	0%	3,211,492	–
Past due 31-60 days	0%	2,749,129	–
Past due 61-90 days	0%	4,170,673	–
Past due more than 91 days	0%	9,283,035	23,193
	0%	59,878,726	23,193

	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.

32. 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 RM30,551,126 (2018: RM21,193,331) 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.

32. 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 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.

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					
2019					
Payables	59,648,825	59,648,825	59,605,342	43,483	–
Lease liabilities	9,295,096	10,099,904	4,113,016	3,084,114	2,902,774
Borrowings	30,551,126	30,551,126	30,551,126	–	–
	99,495,047	100,299,855	94,269,484	3,127,597	2,902,774
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
Company					
2019					
Payables	18,983,406	18,983,406	18,983,406	–	–
Lease liability	57,692	57,692	57,692	–	–
	19,041,098	19,041,098	19,041,098	–	–
Financial guarantees	–	30,551,126	30,551,126	–	–
2018					
Payables	354,356	354,356	354,356	–	–
Financial guarantees	–	21,193,331	21,193,331	–	–

32. 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% (2018: 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	
	2019 RM	2018 RM
USD/RM		
- Strengthened	(54,469)	52,815
- Weakened	54,469	(52,815)
SGD/RM		
- Strengthened	136,675	(64,718)
- Weakened	(136,675)	64,718

	Company Profit/(Loss) for the year	
	2019 RM	2018 RM
USD/RM		
- Strengthened	825,496	637,294
- Weakened	(825,496)	(637,294)
SGD/RM		
- Strengthened	93,767	97,602
- Weakened	(93,767)	(97,602)

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.

32. 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	
	2019	**2018**
	RM	**RM**
Fixed rate instrument		
Lease liabilities/Finance lease liabilities	9,295,096	11,672,577
Floating rate instrument		
Borrowings	30,551,126	21,193,331

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.

32. FINANCIAL INSTRUMENTS (CONT'D)

B. Financial risk management (Cont'd)

(d) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change in 0.5% 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% RM	- 5% RM
Group		
2019		
Floating rate instruments	(1,527,556)	1,527,556
2018		
Floating rate instruments	(1,059,666)	1,059,666

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.

33. 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.

34. EVENTS SUBSEQUENT TO YEAR END

The directors of the Company are of the opinion that the outbreak of the COVID-19 may affect the business performance and position of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that resulted in delays in commencement of work and delivery of products to customers. Meanwhile, due to inherent nature and unpredictability of future development of the virus and market sentiment, the extent of the impact depends on the (i) ongoing precautionary measures introduced by each country to address this pandemic and (ii) the durations of the pandemic. Accordingly, the financial impact of the COVID-19 outbreak to the Company cannot be reasonably estimated as this juncture. The directors will continue to monitor the situations and respond proactively to mitigate the impact on the Company's financial performance and financial position.

Analysis of Shareholdings

as at 16 APRIL 2020

Total number of issued shares	: 522,375,300 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	18	351	0.00
100 - 1,000 shares	988	638,572	0.12
1,001 - 10,000 shares	5,127	29,993,900	5.74
10,001 - 100,000 shares	3,404	110,306,709	21.12
100,001 – less than 5% of issued Shares	375	145,303,526	27.82
5% and above of issued Shares	1	236,132,242	45.20
Total	9,913	522,375,300	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	10.55	–	–
Desert Streams Investments Limited	123,565,754	23.65	–	–

DIRECTORS' SHAREHOLDINGS

(As per the Register of Directors' Shareholdings)

	Direct Interest		Indirect Interest	
Name of Directors	No. of Shares	%	No. of Shares	%
Edmond Tay Nam Hiong	260,000	0.05	24,213,200[(1)]	4.64
Tan Jeck Min	55,129,768	10.55	–	–
Geoffrey Ng Ching Fung	155,000	0.03	–	–
John Chin Shoo Ted	135,000	0.03	–	–
Kok Cheang-Hung	21,000	0.01	–	–

Note:

[(1)] Deemed interested by virtue of the shares held by Mr. Edmond Tay Nam Hiong in Quantum Storage (India) Limited pursuant to Section 8 of the Companies Act 2016.

Analysis of Shareholdings (Cont'd)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 16 APRIL 2020

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

No	Name	No. of Shares held	%
1.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for OCBC Securities Private Limited (Clients A/C-NR)	236,132,242	45.20
2.	Citgroup Nominees (Tempatan) Sdn. Bhd. Employee Provident Fund Board (PHEIM)	8,293,300	1.59
3.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Dana Makmur PHEIM (211901)	5,558,000	1.06
4.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS)	4,138,000	0.79
5.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Maybank Kim Eng Securities Pte. Ltd. for Chew Toh Ly	4,110,000	0.79
6.	Choo Ghee Sek	2,691,000	0.52
7.	Looh Chee Peng	2,653,700	0.51
8.	Yong Kut Sen	2,175,500	0.42
9.	Citigroup Nominees (Asing) Sdn. Bhd. CEP for PHEIM SICAV-SIF	1,980,000	0.38
10.	Universal Trustee (Malaysia) Berhad TA Dynamic Absolute Mandate	1,800,000	0.34
11.	Kenanga Nominees (Tempatan) Sdn. Bhd. Rakuten Trade Sdn. Bhd. for Tan Foh Hua	1,769,000	0.34
12.	CGS-CIMB Nominees (Temptan) Sdn. Bhd. Pledged Securities Acocunt for Mak Tian Meng (MY3136)	1,768,000	0.34
13.	Yee Ngan Ching	1,660,400	0.32
14.	Lim Kooi Fui	1,650,000	0.32
15.	Ng Ah Meng Sdn. Bhd.	1,500,000	0.29
16.	Wong Kum Fatt	1,500,000	0.29
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Capital Dynamic Asset Management Sdn. Bhd. for KESM Industries Berhad (CDAM30-990472)	1,410,000	0.27
18.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt An for UOB Kay Hian Pte. Ltd. (A/C Clients)	1,380,000	0.26
19.	Federlite Holdings Sdn. Bhd.	1,302,900	0.25
20.	Capital Dynamics Asset Management Sdn. Bhd.	1,200,000	0.23
21.	Chan Kam Sooi	1,160,000	0.22
22.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Gan Woo (E-TSA)	1,160,000	0.22
23.	Maybank Nominees (Tempatan) Sdn. Bhd. Capital Dynamics Asset Management Sdn. Bhd. for Chieng Lee Hook (CDAM46-230153)	1,155,000	0.22
24.	HSBC Nominees (Asing) Sdn. Bhd. DZ Privatbank for NPB SICAV – NPB Asia (EXCL. Japan)	1,038,000	0.20
25.	Kenanga Nominees (Asing) Sdn. Bhd. Exempt an for Phillip Securities Pte Ltd (Client Account)	1,004,500	0.19
26.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Chia Ai Seng (7007375)	1,000,000	0.19
27.	Azizan Bin Osman	1,000,000	0.19
28.	Oh Kuang Eng	1,000,000	0.19
29.	Public Nominess (Tempatan) Sdn. Bhd. Pledged securities account for Chew Thian Hock (E-JPR)	1,000,000	0.19
30.	CGS-CIMB Nominess (Tempatan) Sdn. Bhd. Pledged securities account for C Vignesh Kumar A/L Chellapah (MY3321)	995,000	0.19

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of **KRONOLOGI ASIA BERHAD** ("KAB" or "the Company") will be held at Greens I, Main Wing, Tropicana Golf and Country Resort on Friday, 29 May 2020 at 11.00am to transact the following businesses:-

A G E N D A

AS ORDINARY BUSINESS :

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the reports of the Directors and Auditors thereon. **Please refer to Explanatory Note 1**

2. To approve the payment of additional Directors' fees and benefits of RM22,500 for the financial year ended 31 December 2019. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees and benefits of up to RM400,000 for the financial year ending 31 December 2020. **Ordinary Resolution 2**

4. To re-elect the following Directors who retire by rotation pursuant to Clause 85 of the Company's Constitution:-

   i. Mr. John Chin Shoo Ted **Ordinary Resolution 3**
   ii. Mr. Kok Cheang-Hung **Ordinary Resolution 4**

5. To re-appoint PKF Malaysia as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS:

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

6. **GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 6**

   "THAT subject always to the Constitution of the Company, the Companies Act 2016 ("Act"), the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and the approvals of the relevant governmental/ regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM")."

Notice of the
Annual General Meeting (Cont'd)

7. PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED SHARE BUY-BACK") **Ordinary Resolution 7**

"THAT, subject to the provisions of the Act, the provisions of the Constitution of the Company, the ACE Market Listing Requirements of Bursa Securities and all prevailing laws, rules, regulations, orders, guidelines and requirements for the time being in force, approval and authority be and are hereby given to the Directors of the Company, to the extent permitted by law, to purchase such number of ordinary shares of the Company ("KAB Shares") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that:

(i) the maximum aggregate number of KAB Shares, which may be purchased by the Company, shall not exceed 10% of the total number of issued shares in the Company at any point in time subject to compliance with the provision of the Act, the ACE Market Listing Requirements of Bursa Securities and/or any other relevant authorities;

(ii) the maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the retained profits of the Company; and

(iii) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:-

    (a) the conclusion of the next AGM of KAB following the general meeting at which the ordinary resolution for the Proposed Share Buy-Back is passed, at which time shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or

    (b) the expiration of the period within the next AGM is required by law to be held; or

    (c) revoked or varied by ordinary resolution passed by the shareholder of the Company at a general meeting,

    whichever occurs first;

THAT the Directors of the Company, be and are hereby authorised to deal with the KAB Share(s) purchased under the Proposed Share Buy-Back ("Purchased Shares"), at their discretion, in the following manner:-

(i) cancel the Purchased Shares; or

(ii) retain the Purchased Shares as treasury shares; or

(iii) retain part of the Purchased Shares as treasury shares and cancel the remainder;

THAT where such Purchased Shares are held as treasury shares, the Directors be and are hereby authorised to deal with the treasury shares in their absolute discretion, in the following manner:-

(i) distribute the Purchased Shares as dividends to shareholders, such dividends to be known as "shares dividends"; or

(ii) resell the Purchased Shares or any of the Purchased Shares in accordance with the relevant rules of Bursa Securities; or

(iii) transfer the Purchased Shares or any of the Purchased Shares for the purpose of or under an employees' share scheme; or

(iv) transfer the Purchased Shares or any of the Purchased Shares as purchase consideration; or

(v) cancel the Purchased Shares or any of the Purchased Shares; or

(vi) sell, transfer or otherwise use the Purchase Shares for such other purposes as the Minister may by order prescribe; and/or

(vii) in any other manner as may be prescribed by the Act, rules, regulations and order made pursuant to the Act and the requirements of Bursa Securities, and/or any other relevant authority for the time being in force;

AND THAT the Directors of the Company, be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as they may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Share Buy-Back."

8. **PROPOSED PARTICIPATION OF MR. EDMOND TAY NAM HIONG UNDER THE COMPANY'S SHARE GRANT PLAN** — **Ordinary Resolution 8**

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

Notice of the
Annual General Meeting (Cont'd)

9. **PROPOSED AMENDMENTS TO THE COMPANY'S CONSTITUTION** Special Resolution

"THAT the proposed amendments to the Company's Constitution as set out below, be approved and adopted AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments for and on behalf of the Company:-

Clause No.	Existing Clause	Proposed Clause
80	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia or **by way of electronic means or in such other manner** as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member.
106A	New provision	The provisions of the Third Schedule of the Act shall not apply to the Company except where the same is repeated or contained in this Constitution.

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

By order of the Board

TEA SOR HUA (MACS 01324)) (SSM PC No.: 201908001272)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
6 May 2020

Notice of the Annual General Meeting (Cont'd)

Notes:

1. A member of the Company who is entitled to attend, participate, speak and vote at the Sixth Annual General Meeting ("Meeting" or "Sixth AGM") shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

2. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

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.

4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint 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. To be valid, the instrument appointing a proxy shall be deposited at the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. (Registration No. 197101000970 (11324-H)), at Unit 32-01, Level 32 Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, 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 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 21 May 2020. Only members whose names appear in the General Meeting Record of Depositors as at 21 May 2020 shall be regarded as members and entitled to attend, participate, speak and vote at the Sixth AGM.

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

COVID-19 Outbreak Measure Notes

The health and safety of our members and staff who will attend the Sixth AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the Sixth AGM:-

a. Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the Sixth AGM in person.
b. Members are encouraged to appoint the Chairman of the Meeting (or any other person) to act as proxy to attend and vote at the Sixth AGM on their behalf by submitting the proxy form with predetermined voting instruction.
c. Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the Sixth AGM in person.
d. Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the Sixth AGM in person.
e. In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the Sixth AGM in person.
f. Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the Meeting in person.

Notice of the Annual General Meeting (Cont'd)

COVID-19 Outbreak Measure Notes (Cont'd)

The health and safety of our members and staff who will attend the Sixth AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the Sixth AGM:- (Cont'd)

g. Members or proxies are advised to observe/maintain social distancing throughout the Meeting.
h. **NO door gift** will be provided to the Members or proxies.
i. **NO refreshment** will be served at the Meeting venue.

In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our Sixth AGM at short notice. Kindly check Bursa Securities's and Company's website at www.kronologi.asia for the latest updates on the status of the said meeting.

EXPLANATORY NOTES TO ORDINARY/SPECIAL BUSINESS

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2019

The Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the audited financial statements. Hence, this Agenda is not put forward for voting.

2. Item 2 of the Agenda – Directors' Fees and Benefits

The shareholders had on the Fifth Annual General Meeting held on 31 May 2019 approved the Directors' fees and benefits of up to RM366,000 for the financial year ended 31 December 2019. However, the proposed amount was insufficient due to the change in Board Members during the financial year. This resolution is to facilitate the shortfall payment of Directors' fees and benefit of RM22,500 for the financial year ended 31 December 2019.

3. Item 3 of the Agenda – Directors' Fees and Benefits

The estimated Directors' fees and benefits proposed for the financial year ending 31 December 2020 were calculated based on the current Board size and number of schedule Board and Committee meetings to be held. This resolution is to facilitate the payment of Directors' fees and benefits on current financial year basis. In the event of the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

4. Item 6 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 Company had at its Fifth AGM held on 31 May 2019 ("5th AGM"), obtained a general mandate pursuant to Sections 75 and 76 of the Act from its shareholders, to empower the Directors to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("10% General Mandate"). This 10% General Mandate will expire at the conclusion of this AGM.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 31 May 2019 which will lapse at the conclusion of the Sixth AGM.

The Ordinary Resolution 6 proposed under item 6 of the Agenda, is to seek a general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act, as well as Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020, to issue and allot ordinary shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company at any point of time ("20% General Mandate"). This 20% General Mandate, unless revoked or varied at general meeting, will expire at the next AGM.

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

4. Item 6 of the Agenda - General Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 (Cont'd)

In view of the extraordinary challenges caused by the COVID-19 pandemic, Bursa Securities had on 16 April 2020 introduced this 20% General Mandate as an interim relief measure to allow a listed issuer to seek a higher general mandate under Rule 6.04 of the Listing Requirements of Bursa Securities of not more than twenty per centum (20%) of the total number of issued shares (excluding treasure shares) for issue of new securities.

The Board of Directors' Statement

The Board of Directors of KAB ("Board"), after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by COVID-19, this 20% General Mandate is the most appropriate avenue of fund raising for the Company at this juncture. This 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders

5. Item 7 of the Agenda – Proposed Share Buy-back

The Ordinary Resolution 7 is to seek the mandate on the authority to purchase its own shares of up to 10% of the total number of issued shares of the Company. This Ordinary Resolution, if passed, will empower the Directors of the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company through Bursa Securities at any time within the time stipulated.

Please refer to the Share Buy-Back Statement dated 6 May 2020 for further details of the Proposed Share Buy-Back.

6. Item 8 of the Agenda – Proposal Participation of Mr. Edmond Tay Nam Hiong under the Company's SGP

The Ordinary Resolution 8 proposed under item 8 of the Agenda would allow Mr. Edmond Tay Nam Hiong, the Executive Director cum Chief Executive Officer of the Company, to participate in the Company's SGP.

The objective of SGP is to recognise and reward employees for their contribution to the Group as well as to motivate them towards improved performance through greater productivity and loyalty.

Mr. Edmond Tay Nam Hiong, being the interested Director in this Resolution 8, has abstained and will continue to abstain from deliberating and voting in respect of his direct and/or indirect interests (if any) in the Company, on the proposed Ordinary Resolution 8 to be tabled at the Sixth AGM of the Company. He shall also ensure that persons connected with him, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company (if any) on the proposed Ordinary Resolution 8.

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

7. Item 9 of the Agenda – Proposed Amendments to the Company's Constitution

The Proposed Amendments to the Company's Constitution under item 9 of the Agenda if approve, will provide more flexibility for the Company and its shareholders on the manner of lodgement of proxy forms and to provide clarity on the provisions of the Third Schedule of the Act.

KRONOLOGI ASIA BERHAD
201301037868 (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 ("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 Sixth Annual General Meeting of the Company to be held at Greens I, Main Wing, Tropicana Golf and Country Resort on Friday, 29 May 2020 at 11.00am. 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 additional Directors' fees and benefits of RM22,500 for the financial year ended 31 December 2019.		
2.	To approve the payment of Directors' fees and benefits of up to RM400,000 for the financial year ending 31 December 2020.		
3.	To re-elect Mr. John Chin Shoo Ted as Director of the Company.		
4.	To re-elect Mr. Kok Cheang-Hung as Director of the Company.		
5.	To re-appoint PKF Malaysia as Auditors of the Company.		
6.	To approve the authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
7.	To approve the Proposed Share Buy-Back of up to 10% of the total number of issued shares of the Company.		
8.	To approve the Proposed Participation of Mr. Edmond Tay Nam Hiong under the Company's Share Grant Plan.		
No.	**Special Resolution**	**For**	**Against**
1.	To approve the proposed amendments to the Company's Constitution.		

Dated this .... day of .... 2020.

CDS Account No.	No. of Shares Held

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

*delete whichever not applicable

For appointment of more than one (1) proxy, percentage of shareholdings to be represented by each proxies:		
	No. of shares	%
Proxy [ ]		
Proxy [ ]		
TOTAL		100

NOTES:

1. *A member of the Company who is entitled to attend, participate, speak and vote at the Sixth Annual General Meeting ("Meeting" or "Sixth AGM") shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*
2. *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
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4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint 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. *To be valid, the instrument appointing a proxy shall be deposited at the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. (Registration No. 197101000970 (11324-H)), at Unit 32-01, Level 32 Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, 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 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 21 May 2020. Only members whose names appear in the General Meeting Record of Depositors as at 21 May 2020 shall be regarded as members and entitled to attend, participate, speak and vote at the Sixth AGM.*
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c. *Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the Sixth AGM in person.*
d. *Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the Sixth AGM in person.*
e. *In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the Sixth AGM in person.*
f. *Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the Meeting in person.*
g. *Members or proxies are advised to observe/maintain social distancing throughout the Meeting.*
h. ***NO door gift*** *will be provided to the Members or proxies.*
i. ***NO refreshment*** *will be served at the Meeting venue.*

In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our Sixth AGM at short notice. Kindly check Bursa Malaysia Securities Berhad's and Company's website at www.kronologi.asia for the latest updates on the status of the said meeting.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
KRONOLOGI ASIA BERHAD
201301037868 (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

1st fold here

KRONOLOGI ASIA BERHAD
Registration No.: 201301037868 (1067697-K)

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

www.kronologi.asia