

## message from the chairman

Annual Report 2018

# EMBRACING THE FUTURE... EMBRACING CHANGE

“We are living through the Knowledge Revolution; knowledge that has brought about unparalleled and dynamic changes in our lives. The world we live in is being transformed by robots, artificial intelligence, the internet of things, smart devices, smart cities, driverless cars and what have you. We are living through an era of unstoppable change that has touched and will continue to touch every sphere of human activity.

In our strive to manage these changes, let us pause and remember that technology must not prevail over our humanity. As it is more aptly said in Bahasa Malaysia, Singgah sebentar...

# ‘Celebrating The Past...Embracing The Future’

## Valued Shareholders and Partners

### *We turned 30*

This financial year has been a milestone year for EDARAN. The Group celebrated its 30th Anniversary with an apt themeline ‘Celebrating The Past...Embracing The Future’, chosen by our past Chairman YBhg Tan Sri Tajudin Ramli, to reflect the Company’s progressive history and its positive outlook to the future. As the Group’s newly appointed Chairman, I have a huge task set before me and I have some big shoes to fill. Nevertheless, with the guidance of the members of the Board and the Management, I will do my utmost best, as I take up my duties to serve as Chairman of the Company. Principally I will work to uphold the Vision and Company Charter that the past Chairman has laid down for EDARAN.

EDARAN, whose activities are still predominantly IT based has evolved from being a mere distributor of IT hardware in the early 80’s into a full fledged IT services and solutions provider, gaining sound reputation as a systems integrator and a reliable IT partner. Today the Company is pressing forward to establish itself as a purveyor of intelligent IT services and technology solutions who can help to make the benefits of new technologies felt by the ordinary man on the street. As our Group’s vision states, we will persevere to enhance the quality of life and bring the promise of better tomorrows to communities. Perhaps an implausible task for any one company, but certainly conceivable through the way of smart collaborations in an era of technology convergence. Artificial Intelligence, automation, the Internet-of-Things and new cyber technology will continue to change the landscape of the universe. There is no escaping the waves of change for any one company. On our part, we will look to the power of smart collaborations, strengthened further with wisdom and foresight, to embrace the challenging future, explore uncharted territories and manage unpredictable changes. The future has never been more exciting.

## **Financial Performance**

As your new Chairman, I am privileged and honored to present you the Financial Statement and Annual Report of EDARAN Berhad for the year ended 30 June 2018.

The Group turned the corner this financial year. After deduction of financial costs and provision for tax, the Group recorded a profit after tax of RM 6.936 Million, compared to a loss after tax of RM4.2 Million in the previous financial year. Total revenue for the year came to RM150.3 Million. A gross profit margin of 17.4% which translated to RM26.16 Million was recorded. Earnings per share stood at 12.44 sen.

The higher revenue was contributed mainly by the fruitful efforts of the Group’s IT Division which secured a substantial contract, particularly from Jabatan Kastam Diraja Malaysia and Jabatan Perdana Menteri. Operational efficiencies kept the Group’s operating expenses lower in relation to total revenue earned. At the same time, new customers which includes POS Malaysia, Fusionex Solutions, Jabatan Pendaftaran Negara, National Hydraulic Research Institute of Malaysia (Nahrim) and Northport (M) Berhad also contributed positively to the increase in revenue.

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### **Embracing The Knowledge Revolution**

As we review the year it is not only prudent but necessary for us to take cognizance of the rapidly shifting landscape of life. Indeed, the whole world is bracing itself for a deluge of incessant, unprecedented changes that will sweep across the globe and transform lives at a speed we have not seen before. Over the past 260 years or so of history, humankind has gone through industrial revolutions that changed industry in significant ways. First there was water and steam power which mechanized production. Then came electric energy that enabled assembly plants and mass production. And in the more recent past decade, the digital revolution arrived.

The advent of electronics, advanced computerization and information technology automated and reformed production. We have moved from the agrarian age to the manufacturing age and arrived at the age of digitalisation.

Today we are sitting on the brink of a revolution that is nothing like the past three revolutions. What the world chooses to call the Industrial Revolution 4.0 or I.R 4.0, we see as a Knowledge Revolution. Unlike the past three revolutions, which moved in a linear pace, the new revolution will break on the globe in an exponential way, disrupting every industry in every corner of the globe because of its sheer velocity, unimaginable scope and impact. Unlike its forerunners, it is not rooted in a new source or form of energy but on the technological phenomenon of digitalisation. The Knowledge Revolution which encompasses I.R 4.0 and is characterised by the advent of new knowledge and a fusion of technologies that is blurring the lines between the physical, digital and biological spheres of life. It will force every human being, whole governments, businesses and the global society to find new ways of thinking and acting to stay in orbit. This is a revolution that will challenge our minds, our current knowledge, our ideas and even what it means to be human. And if that is not perturbing enough, we must realise that what is even more unnerving is that the answers to managing the changes will not be found in the past. In this almost too-fast moving environment, some risk taking will be required of everyone as we navigate our way forward, as we try to manage the unknown and as we continually seek equilibrium. We are staring at the genesis of unimaginable possibilities and moving into the great unknown.

**The Knowledge Revolution will impact us in almost everything we do.**

## How Will The Knowledge Revolution Impact Our Lives

New technologies, new discoveries and new possibilities are being made accessible as we shuttle into the future. The thrust of these new discoveries and technologies will be in artificial intelligence (AI) and robotics. Already they are being manifested in several areas of industry. Chatbots that can serve as front line customer service have already made its way into a multitude of businesses. Smart surveillance is facilitating efficient security around buildings and homes. Banks rely on AI to detect all kinds of fraud. Drones affixed with AI facilitate complicated and dangerous search and rescue operations. Robotics are increasingly used in the operating theatres of hospitals to assist surgeons and doctors in delicate operations.

Logically and most definitely, new technologies that use AI will make their way into private lives and homes. We are already familiar with the likes of Apple's Siri, Amazon's Alexa, Google's Google, IBM's Watson and Microsoft's Cortana who talk to us through our mobile devices, answer our questions, remind us of our to-do list and even tell us jokes. Siri, Alexa, Google, Watson and Cortana and intelligent robots that go by several other names, will soon move, if not, have already moved, into our private spaces and homes to help us with the smart technologies around our environment. They will automate the air conditioning and heater, turn off the lights, manage the alarm system, lock the doors, close the window blinds, maintain our information systems, manage our music playlist and movie reels, talk to us and remind us of the many things we need to do in a day.

And then there is the Internet of Things - a system whereby pieces of equipment communicate with each other through the internet. As we have maintained, the IOT will radically change the way we act, work and live. The Internet of Things will spread gradually throughout the entire infrastructure of cities. The smart city will use the internet to adjust energy use, the flow of traffic and traffic jams, the logistics of trade, and even the weather. It may be as uncanny as waste bins informing the authorities when they need emptying and smart devices telling you when you have to head for the bus stop in order to make it to your destination in time. The magnitude of possibilities with the IOT is again limitless. Life will be transformed irrevocably.

All these technologies combined, will have the amazing ability to combine our physical world and our biological world with the digital world. We will be swept into an age of total fusion and integration. All facets of human existence and societal structures be they politics, industry, business, education, medicine, our physical environment, our social life including even our spiritual life will be integrated and unavoidably melded together. New technologies will have capability and potential to connect billions more people to the web. The possibilities of billions of people connected by mobile devices with unprecedented processing power, storage capacity and access to knowledge, will be unlimited and the implications, inconceivable. The power of connectivity and the capabilities of technology will enable people to live outside of city limits, free up congested city spaces and lead to a better living environment all round.

**We are aware that as an organisation, more so as an IT systems and solutions provider, we cannot escape the onslaught of changes brought about by new discoveries, knowledge and advance technologies**

## **How Should EDARAN Regard This Unstoppable Revolution**

While EDARAN continues with business as usual in the area of IT systems integration, IT connectivity and solutions planning, we are also acutely mindful of the rapidly transforming environment. We are aware that as an organisation, more so as an IT systems and solutions provider, we cannot escape the onslaught of changes brought about by new discoveries, knowledge and advance technologies. As human existence becomes more integrated and as all activities begin to converge on one single platform, EDARAN like any other entity has no options but to manage the shifts, surmount them and thrive in this fluid and constantly changeable environment. Failing to do so may mean our being left behind or thrown out of orbit.

**We maintain that the final objective of Knowledge and Technology is to benefit mankind, to make the journey better for human beings.**

### **The Ultimate Goal of Knowledge And Technology**

In anticipation of a continually transforming environment, EDARAN remains equally fluid in its business strategies. We will remain open to new ways of sustaining itself and advancing with the times. Indeed, if it means bolstering and reinforcing our act with more technology and more partners, we will do that. We are fortunate that we have long initiated the way of collaborations and partnerships. We have been blessed with the fortune of excellent technology partners throughout our journey as a business enterprise. We have also been blessed with progressive customers and partners who continue to keep abreast, if not stay ahead of the technology curve. Our challenge going forward will be to maximise the joint competencies of our team and that of our partners to incorporate the beneficial possibilities of artificial intelligence and new technologies in our solutions and bring those possibilities to customers.

We are aware that AI is being increasingly deployed in the higher order of industry and government, such as in high level national security systems and surveillance technology. However we strongly feel that it does not and should not need to stop at that level. AI can benefit whole communities at more tangible and relatable level. Our challenge is to bring down barriers, to reduce hindrances, to enable the man on the street to enjoy the benefits of AI technology, to bring these benefits to the fore in everyday life; to neighbourhoods, schools, hospitals and any organisation whose operations will benefit from these intelligent technologies. I reiterate that our vision and long term challenge is to work towards improving the quality of life of our communities and benefiting humankind. And we will look to new technologies especially AI applications, the possibilities of the Internet-of-Things and robotics as they become more and more available to help us realise that vision.

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#### **Collaboration and Convergence of Capabilities**

With the relentless tide of changes looming upon the world, the road ahead for companies like EDARAN and likewise for many other types of business, is getting more complicated and demanding. The future has become even more unpredictable as industries and businesses move into the uncharted territories of converging technology. Notwithstanding, along the vein of integration, convergence and interconnectedness, EDARAN recognises that collaborations, partnerships and alliances will be the way to keep the company on an even keel. The Knowledge Revolution will be increasingly upon us, as it will be on every industry and discipline of human life. We must take total cognizance of its unstoppable impact. To ignore that will be at our own peril.

**EDARAN recognizes that collaborations, smart partnerships and alliances will be the way to keep the company on an even keel.**

#### **Outlook**

The Group moves forward on a confident note. We know that uncertainties will always be an anticipated challenge. Nevertheless we will remain alert and nimble to ride out challenges that come with change. As a new government takes over the reins of the country's administration, we look forward to the strengthening of the nation's economy. We look forward to the return of investor confidence with the emphasis on good corporate governance and transparency. The country's strength in exports remains promising as global trade continues to grow. The country's economic fundamentals remain firmly anchored and financial conditions are supportive of economic growth. EDARAN will ride on this positive wave to continue to establish itself.

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The Company will leverage upon its strong fundamentals not in the least, its 30 years of experience and expertise as an IT solutions provider. Our spectrum of technical and business expertise has broadened just as our base of activities has broadened. Another key strength also lies in our partnerships with strong and progressive technology partners. Together with our partners we will explore new opportunities that are presenting themselves in the areas of AI and smart devices. Our sight is cast on new customer segments even as we seek to extend and expand our involvement with our established customers. Our goal is to seek out and to secure projects with long concession periods and thus enable EDARAN to create recurring revenue business models. We believe that we will achieve some of the goals we have set for ourselves over the medium to longer term.

#### **Appreciation**

In closing I wish to take this opportunity to first and foremost thank the past Chairman for his invaluable leadership and contribution to the Group. EDARAN has been progressing commendably over the last 30 years not in the least because of the steadfast vision and resolute commitment of our past Chairman. The Board of Directors and the Management and Staff wish to put on record our heartfelt appreciation and gratitude to YBhg Tan Sri Dato' Tajudin Ramli.

As I take over the position of Chairman, I ask for the support of my fellow Directors and the Management and Staff of the Company. Your guidance and support will be an effective link between the Board of Directors and the Management Team of EDARAN. I wish to thank each and every member of the staff who continues to dedicate his and her time to the progress of the Company. My heartfelt thanks go to their families who are the real supports of the EDARAN team.

To our customers, I wish to thank you on behalf of the Board and Management for your unwavering trust and confidence in us. We aim to serve you better and become a support for your Organisation's growth.

To our technology and business partners, I wish to record the Company's gratitude to you for joining us on our journey. Indeed some of you have been journeying with us for the past 30 years and we hope this friendship continues for a long time more.

***Dato' Abdul Halim Abdullah***  
***Chairman***